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ALL-INDIA RURAL CREDIT SURVEY

REPORT
OF THE COMMITTEE OF DIRECTION

VOLUME I

THE SURVEY REPORT

SUMMARY

BOMBAY

ALL-INDIA
RURAL CREDIT SURVEY

•

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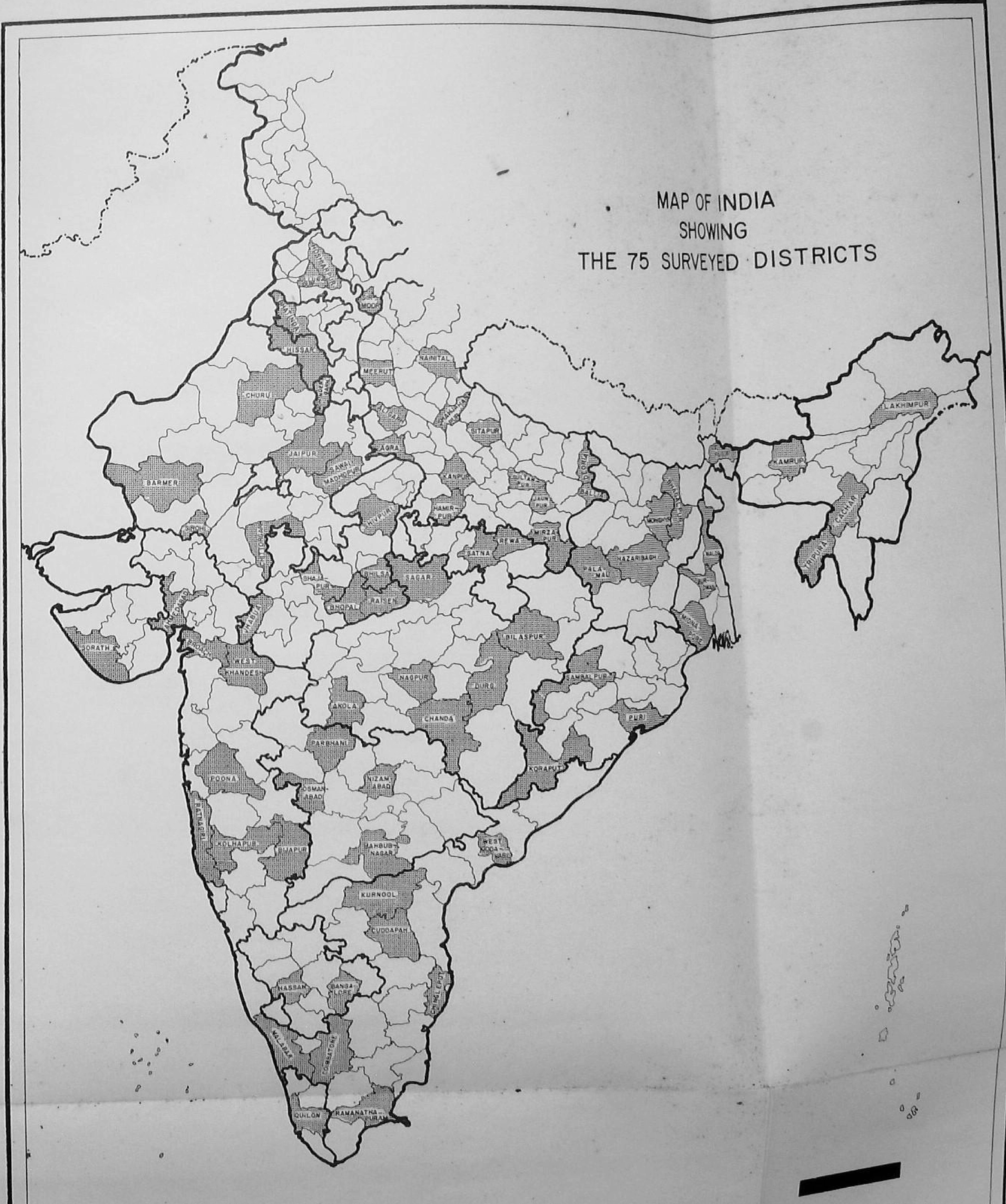
SUMMARY

BOMBAY 1955

FOREWORD

The Rural Credit Survey was conducted in 1951-2 by a Committee of Direction appointed by the Reserve Bank of India. The investigations extended over nearly 1,30,000 families resident in 600 villages and all the various types of credit agencies, in 75 selected districts spread all over the country. The data collected covered all important aspects of the working of the system of rural credit in the 75 districts. The detailed study of the material in all its aspects has been completed and the Report of the Committee is now ready in three volumes, namely, Volume I, the Survey Report, containing discussions on the results of the Survey, Volume II, the General Report, containing the recommendations of the Committee and Volume III, the Technical Report, containing a description of the technique of the Survey and the various statistical statements prepared from the data. Volume II of the Report as well as a summary of Volume II have already been published. Since the completion of the printing arrangements in regard to Volumes I and III of the Report will take some more time, it has been decided to publish a summary of Volume I. The summary contains a brief reference to the important conclusions which have been arrived at as a result of the study of the material. For all detailed comments on the Survey data the reader is referred to the full Report which will be available shortly. It is also necessary to bring to the notice of the reader that the statistical data appearing in this summary are in a condensed form. The data will be found presented in full in the Survey Report.


MAP OF INDIA
SHOWING
THE 75 SURVEYED DISTRICTS
HISSAR
MEERUT
NAINITAL
CHURU
SITAPUR
JAIPUR
AGRA
KAMRUP
LAKHIMPUR
BARMER
KANPUR
CACHAR
TRIPURA
SATNA
REWA
HAZARIBAGH
SAGAR
RAISEN
BHOPAL
BILASPUR
NAGPUR
DURG
SAMBALPUR
AKOLA
CHANDA
PURI
PARBHANI
KORAPUT
POONA
KOLHAPUR
BIJAPUR
KURNOOL
CUDDAPAH
HASSAN
MALABAR
COIMBATORE
QUILON
RAMANATHA-
PURAM

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1. INTRODUCTION

1.1 The Reserve Bank of India appointed in August 1951 a Committee of Direction consisting of Shri A. D. Gorwala (Chairman), Prof. D. R. Gadgil, Shri B. Venkatappiah, Executive Director, Reserve Bank of India, Dr B. K. Madan, Economic Adviser, Reserve Bank of India, and Dr N. S. R. Sastry, Director of Statistics, Reserve Bank of India (Member-Secretary), to plan, organize and supervise a survey of the credit position in rural areas throughout the country. The terms of reference to the Committee were (1) to direct the planning, organization and supervision of the Survey, (2) to interpret its results and (3) to make recommendations. From 16 October 1951, Dr Madan's place was taken by Shri P. S. Narayan Prasad. The latter ceased to be a member on 29 October 1953.

1.2 The Committee of Direction, at its first meeting, appointed a Technical Committee to assist it in the preparation of plans for the Survey. It was decided, in consultation with that Committee, that 75 districts should be selected for the enquiry which should be planned in relation to (1) the assets, economic activity and credit operations—in particular the borrowings and debt—of rural families, called hereafter the 'demand' aspect of the enquiry and (2) the extent and mode of operations of different credit agencies in rural areas, such as Government, the co-operative society, the trader, the moneylender, the indigenous banker and the commercial bank, called hereafter the 'supply' aspect of the enquiry. The term 'rural' was considered applicable to villages with population below 5,000.

1.3 For the 'demand' aspect of the enquiry, a sample of eight villages was selected in each selected district and within each village all the families were investigated. For the purpose of the Survey, a family was defined as a group of persons having a common kitchen. In order to study, in particular, the differences in the working of rural credit in villages served by co-operative credit societies and those not served by such societies, half the villages selected in each district were to be those where co-operative credit societies functioned at the time of the enquiry. In each selected village, a sample of fifteen cultivating families was selected for further detailed investigation regarding assets, farm business and loan transactions. This selection was made by first arranging all cultivating families in each selected village in descending order of the size of the cultivated holding, dividing them into ten strata or deciles containing roughly equal number of families and selecting at random two cultivating families from each of the first five deciles and one cultivating family from each of the last five deciles. A cultivating family was defined as a family cultivating some land, owned or leased, other than small garden plots.

1.4 A single schedule, referred to henceforward as the General Schedule, was used for investigating all the families in the 600 selected villages. In this schedule, information regarding the cultivated holdings of the families, their expenditures during a period of twelve months preceding the month of enquiry on

certain specified items divided into four groups, viz., capital investment in farm, capital investment in non-farm business, family expenditure and financial investments, their receipts by sale of assets and their borrowings and repayments during the period, their outstanding debt as on the date of investigation, etc., was obtained. For detailed investigations connected with the intensive enquiry in relation to the selected cultivating families, six schedules (Demand Schedules 2 to 7) and five questionnaires (Demand Questionnaires 1 to 5) were used; the items of information covered were, in the main, assets, transactions relating to current farm business and details of loan transactions.

1.5 For investigations connected with the 'supply' aspect, all the different types of credit agencies in the selected districts were investigated using seven schedules (Sy 1 to Sy 7) and five questionnaires (SQ 1 to SQ 5). Details of Government finance for each of the different tahsils or talukas as also for the whole district were obtained in Schedule Sy 1. In regard to the Co-operative Movement, the investigations covered primary co-operative credit societies in the villages selected in connexion with the enquiry into the 'demand' aspect, four primary credit societies in four other villages, primary credit societies at the selected marketing or tahsil centres of the district, central co-operative banks and banking unions at the district headquarter and at any of the selected marketing or tahsil centres and all land mortgage banks and all co-operative marketing societies functioning in any of the eight selected villages, the district headquarter and the selected marketing or tahsil centres. Two schedules (Sy 2 and Sy 3) and one questionnaire (SQ 1) were used for co-operative societies and one schedule (Sy 2) for central co-operative banks and banking unions; two schedules (Sy 4 and Sy 5) were used for land mortgage banks and one schedule (Sy 6) for co-operative marketing societies. Among private credit agencies, traders in agricultural commodities, moneylenders and indigenous bankers in the eight villages selected for the 'demand' aspect of the enquiry and a sample of each of these private agencies in the four selected marketing or tahsil centres and at the district headquarter were investigated using three questionnaires (SQ 2, SQ 3 and SQ 4). Traders in agricultural commodities included wholesale traders and commission agents but excluded retailers and village shopkeepers. In the case of moneylenders, the enquiry was confined to professional moneylenders. This category was defined to include those who, though primarily cultivators, lend considerable sums of money to others and those who, whether cultivators or not, earn a substantial part of their income from moneylending. An indigenous banker, as distinguished from a moneylender, was defined as one who accepts deposits and deals in *hundis*. A detailed investigation into various features of the loans advanced was made by means of case studies of a sample of loans given by Government, the co-operatives, the moneylenders and the indigenous bankers. All offices of commercial banks functioning in each selected district were investigated by means of a mailed questionnaire. Finally, a General Questionnaire was sent to a selected set of persons throughout the country, who were deemed to have special knowledge of the working of rural credit in their respective areas.

1.6 The field investigations on the 'demand' side of the enquiry were conducted in two rounds; the first round was planned to commence in October 1951 and end in March 1952 and the second round to commence in April 1952 and end in June 1952. During the first round, the General Schedule in respect of all families in the 600 villages and Schedules 3, 4 and 5 and Questionnaire 1 of the intensive enquiry dealing with farm business, for the first half year April to September 1951, and Schedule 2 dealing with assets, in respect of the sample of cultivating families, were to be completed. During the second round, Schedules 3, 4 and 5 and Questionnaire 1, in respect of the half year October 1951 to March 1952, and Schedules 6 and 7 and Questionnaires 2 to 5, were to be completed for the sample of cultivating families. The investigations on the 'supply' side were to be conducted simultaneously with those on the 'demand' side, during these two rounds.

1.7 The field staff comprised two Investigators and one Inspector in each selected district; each Investigator was in charge of four of the selected villages. Regional Controllers supervised the work of the field staff in groups of districts. The Investigators in each district completed the schedules and questionnaires on the 'demand' side of the enquiry. The Inspectors, in addition to supervising the work of the Investigators, completed all the schedules and questionnaires connected with the 'supply' aspect of the enquiry.

1.8 The discussions in the Report are based mostly on data presented district-wise; for each district, an average value or a total of the measurements relating to each character studied is obtained. In some cases data for individual villages have been used and in some others data for States, or for districts grouped into certain regions, or on an all-India basis, have been used. The data collected in the General Schedule are presented separately for cultivating families, non-cultivating families and for all families; the data relating to cultivating families, whether obtained through the General Schedule or the intensive enquiry, are further classified as for deciles or strata. The data for each decile in a district are the data relating to cultivating families in particular positions in the eight villages of the district, added together. To facilitate comparison between the different classes of cultivators, the results are ordinarily presented for groups of deciles. The decile groupings used in the Report are the first three, the middle four and the last three; the cultivators in these groups of deciles are referred to as the 'large', the 'medium', and the 'small' cultivators respectively. In addition, the results for the first decile are also presented and the cultivators in this group are referred to as the 'big' cultivators. For data collected in the intensive enquiry, the comparisons are generally between cultivators of the first five and the last five deciles, referred to as the upper and the lower strata cultivators respectively.

1.9 The discussion in the Report begins with the level of debt at the time of the Survey. The level of debt is discussed in relation to the different regions, types of families, classes of cultivators, etc. A historical review is also taken of the trend in indebtedness on the basis of data from earlier enquiries, reports, etc. This is followed by a discussion on information relating to borrowings, purposes

of borrowing, repayments, patterns of expenditure, etc., based mainly on data collected through the General Schedule. On the basis of these data, observations are also offered in relation to capital formation, savings, investment and disinvestment. For a detailed examination of the forces operating on the credit system in relation, in particular, to the production economy of the district, the data collected in the intensive enquiry are next discussed. These throw light on a variety of aspects of the scales of operation, the seasons of operation, the types of operation and related activities in the production economy of the cultivator. The data collected through the intensive enquiry are drawn upon for a discussion of credit requirements and are also utilized for throwing light on such problems as shifts in income, balance of payments and flow of funds. We finally go on to a study of the structure and operations of the various agencies of supply of credit, using mainly information drawn from the 'supply' schedules and questionnaires.

1.10 Certain limitations of our data may be briefly referred to here. In discussions using village data, it has to be borne in mind that the data are for villages selected in a particular manner. The selection of the villages was on the random sampling basis with probability of selection proportional to the population of the village ; there was an added restriction that half the villages had to be those in which co-operative credit societies existed. The district data are the data for the eight villages combined using necessary weighting factors. The district itself being a fairly large unit with varying physical and crop conditions, it is not likely that a small sample of eight villages selected in a particular manner will be representative of all parts of the district. It would thus happen that the picture presented for the district by the village data may not correspond to the general conception of conditions in the district. However, the data presented for the district represent conditions of certain parts of the district and as the main objective of the Survey was a study of conditions not necessarily identified with full areas but with samples of varying conditions in the country, the different district pictures presented have full use and validity for the purpose in hand.

1.11 In the case of the regions and the States, the limitation on the representative character of the data is even greater because the sample of districts was not selected with reference to States or to the designated regions. On account of the manner in which the districts were selected, a number of districts in each State happened to be included in the sample, and when we present the data for a State, they represent merely the data for the districts within the State, which happened to be included in the sample. The same limitation applies to our concept of the regions which have been formed on the basis of certain considerations of contiguity and of similarity of physical, climatic or other natural and demographic conditions. It is not possible to say whether data for any one region represent fully the conditions in the region. Similarly, although data for the 75 districts have been combined to form all-India data which have been used in the Report, the data are representative of only the selected units of the sample.

1.12 The classification of the 75 selected districts into 13 regions is as shown below:

REGION 1: Tripura, Assam and contiguous districts of Bengal (hereafter called Assam-Bengal)

Lakhimpur, Cachar, Kamrup, Tripura and Jalpaiguri.

REGION 2: Bihar and contiguous districts of Bengal and South Uttar Pradesh (hereafter called Bihar-Bengal)

Malda, Burdwan, Midnapore, Bhagalpur, Monghyr, Hazaribagh, Palamau and Mirzapur.

REGION 3: Districts of Eastern Uttar Pradesh (hereafter called Eastern Uttar Pradesh)

Ballia, Deoria, Jaunpur, Sultanpur and Sitapur.

REGION 4: Districts of Western Uttar Pradesh (hereafter called Western Uttar Pradesh)

Kanpur, Hamirpur, Shahjahanpur, Agra, Aligarh, Nainital and Meerut.

REGION 5: Punjab, PEPSU and Himachal Pradesh (hereafter called Punjab-PEPSU)

Sirmoor, Hoshiarpur, Jullundur, Hissar, Bhatinda and Mohindergarh.

REGION 6: Rajasthan

Churu, Barmer, Sirohi, Jaipur, Sawai Madhopur and Chittorgarh.

REGION 7: Madhya Bharat, Vindhya Pradesh and districts of North Madhya Pradesh (hereafter called Central India)

Jhabua, Shivpuri, Shajapur, Bhilsa, Raisen, Satna, Rewa and Sagar.

REGION 8: Orissa and districts of Eastern and South Madhya Pradesh (hereafter called Orissa and East Madhya Pradesh)

Sambalpur, Puri, Koraput, Bilaspur, Durg and Chanda.

REGION 9: Cotton-growing districts in Madhya Pradesh, Bombay, Hyderabad and Saurashtra (hereafter called Western Cotton region)

Nagpur, Akola, Sorath, Ahmedabad, Broach, West Khandesh and Parbhani.

REGION 10 : Deccan districts of Bombay, Hyderabad and Madras (hereafter called North Deccan)

Poona, Kolhapur, Bijapur, Osmanabad, Mahbubnagar and Kurnool.

REGION 11 : Mysore and contiguous districts of Madras (hereafter called South Deccan)

Hassan, Bangalore, Coimbatore and Cuddapah.

REGION 12 : East coast districts of Madras and Hyderabad (hereafter called East Coast region)

Nizamabad, West Godavari, Chingleput and Ramanathapuram.

REGION 13 : Travancore-Cochin and West Coast districts in Madras and Bombay (hereafter called West Coast region)

Ratnagiri, Malabar and Quilon.

2. OUTSTANDING DEBT

2.1 The measure of outstanding debt, as obtained through the General Schedule, shows considerable variation from Rs 29 per family in Koraput to about Rs 1,200 per family in Bhatinda. The district averages show some concentration in the range Rs 100 to Rs 300 per family. The data for individual villages show that in one village no outstanding debt was recorded and that in another village the average debt per family was more than Rs 2,000. Classifying the villages according to the average debt per family, some concentration, though not as marked as in the data for districts, is noticeable in the group Rs 100 to Rs 300.

2.2 The average debt per family was generally higher among cultivators than among non-cultivators. For non-cultivators, the variation was from Rs 4 per family in Koraput to over Rs 800 per family in Bhatinda, whereas for cultivators the variation was from about Rs 60 per family in Sitapur to more than Rs 1,300 per family in Bhatinda. The district data show that average debt of less than Rs 300 per family was recorded in about 51 per cent of the districts in the case of cultivators and in about 93 per cent of the districts in the case of non-cultivators.

2.3 The proportion of indebted families also shows considerable variation from about 24 per cent in Koraput to about 92 per cent in Bhagalpur. However, a heavy concentration of districts is noticeable in the range 50 to 80 per cent of indebted families. The village data show variation in the proportion indebted from zero in one village to 100 per cent in two villages. The proportion indebted was generally higher for cultivators than for non-cultivators. In the majority of the districts, the proportion of indebted cultivating families varied from 50 to 90 per cent ; the proportion of indebted non-cultivating families varied from 30 to 70 per cent in about two-thirds of the districts.

2.4 The debt per indebted family varied from Rs 120 in Sambalpur to more than Rs 1,700 in Bhatinda ; in 50 districts the debt per indebted family was below Rs 500. The data for individual villages show that the debt per indebted family varied from Rs 100 to Rs 500 in 65 per cent of the villages. The debt per indebted cultivating family varied from about Rs 140 in Hazaribagh to slightly more than Rs 2,100 in Bhatinda, whereas the debt per indebted non-cultivating family varied from Rs 31 in Koraput to about Rs 1,200 in Sirohi. In general, the debt per indebted cultivating family was at a higher level and also showed larger variation than the debt per indebted non-cultivating family. In about 90 per cent of the districts, the debt per indebted non-cultivating family was below Rs 500, whereas a corresponding level of debt in the case of cultivating families was recorded only in 60 per cent of the districts. The village data show a concentration of the villages, when classified according to debt per indebted non-cultivating family, in the range Re 1 to Rs 300.

2.5 The debt per family among the four main classes of cultivators, namely, the big, large, medium and the small cultivators, shows that the cultivators in the upper deciles had generally higher debt than those in the lower deciles. The debt per family for the small cultivators varied from about Rs 30 in Sitapur to slightly less than Rs 1,100 in Bhatinda, whereas the debt per family for the big cultivators varied from about Rs 110 in Sitapur to more than Rs 4,000 in Coimbatore. There are a few districts in which either the small cultivators had larger debt than medium cultivators or the medium cultivators had larger debt than the large cultivators. The data regarding debt per indebted family also indicate that generally the big cultivators reported higher levels of debt and also showed larger variations in the size of debt than the large, medium or the small cultivators. The variations in the proportion of indebted families are of more or less the same order among the four classes and, in the case of all the four classes, the major concentration of districts is in the range 50 to 90 per cent indebted families. However, in about half the districts, the medium cultivators had a somewhat higher proportion of indebted families than the large and the small cultivators.

2.6 The debt per family is influenced by many factors; important among these would be the point of time at which the debt is recorded or the period during which it is measured. At certain periods it may be necessary for the cultivators to borrow large amounts for current purposes of either production in farming business or consumption within the family. Borrowing for current production purposes is usually cumulative through a season and is generally paid off in comparatively large instalments immediately after harvest. The importance and extent of this feature depend to a large extent on the type of farming. In many tracts, especially where there is only one main crop, the debt will tend to be at its highest just before the disposal of the harvested produce. Since agricultural seasons differ in different tracts, the measurement of debt may, in some areas, be at the time when it is highest, while, in some other areas, its measurement may be immediately after annual repayment. This aspect has to be borne in mind while comparing the outstanding debt position of different districts or regions. Further, the mere size of debt does not provide any definite indication regarding the economic condition of the district or region. A low level of outstanding debt may be recorded in a tract which is largely self-subsistent and non-monetized, where cash receipts and cash disbursements play a small part in farm business and the total transactions in a year are of comparatively small amounts. Some highly prosperous economies in which a large volume of debt is incurred chiefly for current production finance may also show a low level of outstanding debt immediately after harvest. In such areas, past accumulations of debt would have been greatly reduced, investment expenditure would be incurred largely from owned resources and even working capital finance or current production finance would be found mostly from current receipts. A high level of debt may be recorded in areas which are developed and highly monetized, with high cash receipts and a high level of borrowing. If in such areas opportunities for capital investment exist, prosperous years or even a normal period will lead to an intensification of the drive for investment

and induce large numbers of cultivators to borrow large amounts in an effort at progressive development. It is thus possible that a high level of outstanding debt will appear in an economy that is solvent, prosperous and in the process of considerable progressive development. However, a high level of outstanding debt may also be the result of a series of bad seasons in the immediate past. Even in areas where farming is not highly developed, where monetization is not considerable and where cash receipts, current expenses and investments are low, debt may be high because bad seasons have led to borrowing for current consumption finance and past accumulations of debt have not been liquidated over a series of years.

2.7 Among districts with particularly low or high levels of debt, it is possible to find some where conditions similar to those described above existed. Koraput, Sitapur, Durg, Sambalpur, Satna, etc., are examples of the low-monetized self-subsistent type of districts with low debts. Akola and Parbhani are examples of districts with fairly highly developed economies, in which, owing to a series of good years, the outstanding debt was low. Among districts with high debt, Ahmedabad, West Godavari and Nainital represent districts with specially favourable conditions for investment and developmental activities, and Coimbatore is representative of districts in which monetization and investment opportunities have always been high, but in which the current level of debt was specially pushed up by adverse conditions in the immediate past. Ramanathapuram, Barmer and Hissar are examples of districts which are not particularly highly developed and had a low level of transactions, but in which debt had increased owing to a series of adverse years.

2.8 The level of outstanding debt per family is the joint result of two factors, viz., the level of debt per indebted family and the proportion of indebted families among all the families. These two may or may not be mutually inter-related and for analysing the situation regarding indebtedness, it is necessary to consider these two factors independently. Districts with low and high levels of debt per indebted cultivating family tend to be associated with certain regions and presumably with certain characteristics of the cultivating economy of these regions. The districts with the lowest levels of debt per indebted cultivating family are mostly in Assam-Bengal, Bihar-Bengal, Eastern Uttar Pradesh, Central India, and Orissa and East Madhya Pradesh regions. The districts with the highest debt per indebted cultivating family belong to Western Uttar Pradesh, Punjab-PEPSU, Rajasthan, Western Cotton region, North Deccan, South Deccan and East Coast. It is also significant that districts with very high and very low levels of debt per indebted family are not found together in any single region.

2.9 Although there appears to be some association between the levels of debt of cultivating and non-cultivating families, regional concentration of low and high levels of debt per indebted non-cultivating family is not as clearly marked as it is in the case of level of debt per indebted cultivating family. The class of non-cultivators being a heterogeneous class composed of landless labourers, artisans, traders, moneylenders, industrialists, etc., it is difficult to make generalizations

regarding levels of debt per indebted family, proportion of indebted families, etc., among them. However, it will be clear from subsequent analysis that the non-cultivators, as a class, were inferior in economic position to the cultivators. In the statistics relating to outstanding debt, this is indicated by a generally much lower level of outstanding debt among non-cultivators than among cultivators. The data relating to the proportion of indebted families among cultivators or non-cultivators fail to show a distinct regional pattern.

3. DEBT IN RELATION TO CULTIVATED HOLDING, ASSETS AND VALUE OF GROSS PRODUCE

3.1 The data relating to size of cultivated holding of rural families, collected during the Survey, may be utilized for relating the level of debt to the size of cultivated holding. This has been done by examining the data as for cultivators of the different deciles. As the deciles indicate the ranking of cultivators in relation to the size of their cultivated holding, the best method of measuring the burden of debt on each size-class is to study the data of debt per acre of the different deciles. The trend in the size of debt per acre of cultivated holding, as one moves down from the first to the last decile, is not uniform in the different districts. However, data for the first and the last deciles indicate comparatively definite characteristics. In a majority of cases, the debt per acre of cultivators of the first decile was the smallest, and that of the last, the largest, among all the deciles. The high burden of per acre debt in the lowest decile may be explained partly with reference to the possibility of its containing an element of debt for business other than agriculture. The combination of such business with agriculture is likely to be comparatively more in the lowest decile. There are broadly four types of variations among the intermediate deciles, i.e., deciles between the first and the last. In a large number of districts, the debt per acre increases markedly as one moves down the order of deciles. In some districts, a similar trend, but much less marked except at the lower end, is to be found. The debt per acre in a third group of districts is characterized by a good deal of equality in incidence among most of the intermediate deciles. Finally, there is a fourth group of districts in which the variations in the debt per acre are erratic from one decile to the next, and are not characterized by any recognizable trend. Broadly, the burden of per acre debt on the lower deciles was very much higher than that on the higher deciles, and even as between the middle and the lower deciles, the burden of debt in the lower deciles was comparatively high. It is apparent that, as a rule, the burden of debt per acre increased as the number of acres cultivated by a family decreased. It should be noted that the relation of outstanding debt to size of cultivated holding does not signify a relation of debt with the assets of the cultivator. The cultivated holding is not necessarily identical with the ownership holding. The relation is only a rough indicator of the relation of debt to size of business as represented by size of holding. Further, the figures of debt per acre are sometimes likely to mislead, owing to the very small size of the divisor. This is emphasized by the fact that the data of debt per family do not bear out, to any marked extent, the suggestion that the last decile cultivators constitute a somewhat special class.

3.2 A direct comparison of the outstanding debt of rural families with the value of their assets, size of business, etc., is not possible on the basis of the data collected through the General Schedule. The relevant data are available only for the selected cultivating families included in the intensive enquiry. The data

relating to the value and composition of assets of these families and the burden of debt on them are discussed here. The assets of cultivating families are classified into six major categories, viz., (1) land, (2) buildings, (3) livestock, (4) implements and machinery, (5) outstanding dues, i.e., amounts owed by others to the cultivating families and (6) financial investments. On an all-India basis, land and buildings accounted for about 85 per cent of the value of total assets of cultivating families and livestock constituted about 10 per cent. As between the first five deciles or the upper strata and the last five deciles or the lower strata, the data indicate the slightly greater importance of land for cultivators of the upper strata and that of buildings and livestock for cultivators of the lower strata. The value of total assets of a cultivating family amounted to about Rs 5,400 on the average ; for cultivators of the upper strata, the value was about Rs 8,400 per family and for cultivators of the lower strata, about Rs 2,400 per family. Considering the composition of assets in different regions, it is found that the value of owned land constituted a lower proportion of the value of total assets in areas where tenant-cultivators predominated. In Rajasthan, Central India and Eastern and Western Uttar Pradesh regions, the value of owned land constituted less than 50 per cent of the value of total assets. In all other regions, value of owned land accounted for about two-thirds or more of the value of total assets owned. As a result of the low values of owned land, other types of assets assumed greater proportionate importance in predominantly tenant-cultivator regions. In Eastern and Western Uttar Pradesh regions, the low proportion of assets in owned land, as compared to other regions, was accompanied by a relatively large proportion of owned assets in buildings. In Rajasthan and Central India regions, livestock appeared to be slightly more important than buildings, although in both these regions buildings were proportionately more important as compared to most other regions. In Rajasthan, implements and machinery, among the minor items, constituted a relatively more important asset than in any other region, although in the Western Cotton region and South Deccan the value of this item per family was even greater.

3.3 The data for individual districts diverge in some cases from the general conditions which have been noted in the case of the regions. For instance, in Deoria and Jaunpur the value of owned land accounted for more than 50 per cent of the value of total assets for the upper strata cultivators and in Meerut for both the upper and lower strata cultivators. On the other hand, in Sirmoor, Sorath and Nizamabad, value of owned land constituted less than 50 per cent of the value of total assets of the cultivators in both the strata, contrary to the general trend in the regions in which these districts are situated.

3.4 Value of owned buildings was of more than average importance in the Eastern and Western Uttar Pradesh, Central India, Rajasthan and West Coast regions ; unlike in other regions, the importance of buildings in the West Coast did not result from a shift in importance of land. A large majority of cultivators in both the strata owned residential houses in these regions, especially in Uttar Pradesh. In Madras, Bombay, Mysore, Hyderabad and Madhya Pradesh, the

proportion of non-owners was comparatively large, particularly among the lower strata cultivators. Livestock was relatively a more important item of asset in the Central India, Rajasthan and Eastern and Western Uttar Pradesh regions as compared to other regions. In all these regions with the exception of Eastern Uttar Pradesh, the value of livestock owned was about Rs 500 per family for the lower strata cultivators and exceeded Rs 1,000 per family for the upper strata cultivators. In Punjab-PEPSU, Western Cotton region, North Deccan and South Deccan, the value of owned livestock was high, although relatively not as important as in the former regions. The value of implements and machinery was particularly high in the regions in which value of owned livestock was high, ranging from about Rs 160 to Rs 450 per cultivating family of the upper strata. In Cuddapah, Coimbatore and West Godavari, high figures of outstanding dues were reported, exceeding Rs 300 and Rs 100 per family for the upper and the lower strata cultivators respectively. The dues were of an equally high magnitude for the upper strata cultivators in Kurnool, Chingleput, Malabar and Quilon. Bhatinda and Nainital are two other districts where the dues reported were at levels as high as those in the South. Financial assets such as shares or deposits in co-operative societies and banks, postal savings, etc., constituted less than 1 per cent of the total assets.

3.5 Outstanding debt, whether or not secured, is potentially a charge upon the assets owned by the debtor. The debt-assets ratio may, therefore, indicate whether or not the contraction of liabilities has reached the limits of prudence. The data of the Survey show that the burden of debt as related to value of assets was, in average terms, moderate. The amount of outstanding debt was about 6 per cent of the value of total assets for the country as a whole, and less than about 25 per cent of the value of total assets in every region of the country among both the upper and the lower strata. In three regions, namely, Rajasthan, South Deccan and the East Coast, the outstanding debt of cultivators of the upper strata was of the order of 10 per cent or more of the value of total assets owned by them. In all districts except Churu, Coimbatore and Nizamabad in these regions, the proportion of debt to assets was over 10 per cent among cultivators of the upper strata. In the other regions, the outstanding debt of the upper strata cultivators exceeded 10 per cent of the total value of their assets in only three selected districts; these are Mahbubnagar, Mohindergarh and Agra. Among the lower strata cultivators in all districts of the three regions mentioned above, debt exceeded 10 per cent of the value of total assets. In the case of the lower strata, there are a number of districts from other regions also, in which debt constituted more than 10 per cent of the value of total assets owned. However, in no district selected for the Survey from Assam, Orissa and the Punjab and in only one district each from Bengal, Bihar and Madhya Bharat, was the debt of even the lower strata higher than 10 per cent of the value of total assets.

3.6 The relation of debt to the value of owned land has sometimes greater significance than its relation to the value of total assets. Generally, the variation from region to region in the incidence of debt as related to value of owned land,

though of a much larger order, is similar to that of the variation in its incidence as related to value of total assets. For the upper strata cultivators in Rajasthan region, the debt was as high as 29 per cent of the value of owned land; in none of the other regions did the outstanding debt constitute more than 20 per cent of the value of land owned. For the lower strata cultivators, debt constituted more than 10 per cent of the value of owned land in about three-fifths of the districts. On a regional basis, it was lower than 10 per cent of the value of owned land in five of the regions, namely, Assam-Bengal, Bihar-Bengal, Punjab-PEPSU, Western Cotton region, and Orissa and East Madhya Pradesh. In Rajasthan and Eastern Uttar Pradesh, outstanding debt for the lower strata amounted to more than 40 per cent of the value of owned land. In eight of the districts debt exceeded the value of owned land. In all these districts value of owned land constituted less than 35 per cent of the value of total assets and in six of them this proportion was less than 20 per cent.

3.7 A measure of the burden of outstanding debt may also be given in relation to two indicators of gross income or receipts obtained from the results of the intensive enquiry, namely, the value of gross produce and the total cash receipts. The value of gross produce was considerably higher than the total cash receipts in a large number of districts for the upper strata, and in a lesser number of districts for the lower strata.

3.8 In four of the districts of Rajasthan region and in Mohindergarh, Ahmedabad, Hassan, Bangalore, Cuddapah and Ramanathapuram, the level of debt of cultivators of the upper and the lower strata exceeded both the value of gross produce and cash receipts. In most of these districts, debt as related to value of assets was relatively high in both the strata. Districts in which debt exceeded the value of gross produce as well as cash receipts only among the lower strata, and districts in which the level of debt was higher than that of annual cash receipts alone among either the upper or the lower strata, were also usually associated with a relatively high percentage of debt in relation to the value of total assets owned.

3.9 There are only a small number of districts in which the total amount of debt was higher than 10 per cent of the value of total assets in both the strata and in which the burden of debt in relation to the two measures of current income was relatively low. A notable exception, in relation to both the strata, is Agra. Partial exceptions are West Godavari and Chingleput. Such divergences usually occur in areas where cultivators of the lower strata are seen to depend to a large extent on wages and other sources of income.

4. GROWTH OF DEBT DURING THE YEAR COVERED BY THE SURVEY

4.1 The measure of outstanding debt obtained through the General Schedule relates to the debt at the time of the investigation. Information was also collected in the General Schedule regarding borrowings and repayments during the period of twelve months immediately preceding the month of investigation. All these have reference only to the transactions in cash. Net borrowing or net repayment during the year can be obtained as the difference between the borrowings and the repayments and this gives a measure of the total increase or decrease in debt during the year. Deducting the increase in debt from, or adding the decrease in debt to, the debt outstanding at the end of the year, we get the debt outstanding at the beginning of the year. It is thus possible to obtain the percentage increase or decrease in debt which occurred during the year covered by the Survey.

4·2 During the year, an increase in debt was recorded in all the 75 districts; in 20 districts the increase in debt was below 50 per cent; in 31 districts the increase varied from 50 to 100 per cent and in 19 districts, from 100 to 200 per cent; in five districts the increase exceeded 200 per cent. In terms of absolute amounts, the increase varied from about Rs 5 per family to about Rs 340 per family. The average increase in debt per family was generally higher for cultivators than for non-cultivators. Districts in which a large growth of debt in terms of amounts took place are generally those where high levels of debt were reported. On the other hand, districts with high percentage growth of debt had normally low levels of debt outstanding at the beginning of the year. For instance, debt outstanding at the beginning of the year in districts in which the percentage increase in debt was less than 80 was generally more than Rs 150; on the other hand, in districts in which the percentage growth of debt was greater than 80, the level of debt at the beginning of the year was much lower, generally below Rs 150. Of the five districts in which debt increased during the year by more than 200 per cent, the debt at the beginning of the year was less than Rs 50 per family in all except one district. A low level of debt at the beginning of the year may lead to the growth of debt during the year appearing proportionately high even though the increase in debt in terms of absolute amounts may be low. However, apart from this mathematical relationship, it is clear that the growth of debt during the year was, for most districts, comparatively high whether they began the year with a high or a low level of debt. An increase of 80 per cent or more in the average debt in a district must be considered a remarkable phenomenon and this happened in almost half the number of surveyed districts. It is equally remarkable that no district, as a whole, reported a decrease in debt during the year.

4.3 The data in respect of villages show that in 19 villages there was a decrease in debt during the year and in two villages there was no change in the debt position. Twenty-two villages in the case of cultivators and 16 villages in the case of non-cultivators recorded a decrease in debt; in one village in the case of cultivators and in about 10 per cent of the villages in the case of non-cultivators, the debt

position remained unchanged. The increase in debt exceeded 50 per cent in about 70 per cent of the villages.

4.4 Agricultural prices during the Survey year witnessed a stagnation followed by a steep decline, for the first time in a period of over ten years. The decline was specially marked in the prices of non-food crops which are marketed to a greater extent than food crops and this presumably affected greatly the cash receipts from farming and the repayment performance of cultivators. In this context it is important to note that the period immediately preceding the Survey year was one of buoyant prices for agricultural commodities. The element of stabilization in prices that had been reached earlier in the period 1944-6 was upset by two sudden spurts in agricultural prices, represented by the post-decontrol movement in 1947 and by the Korean War boom of 1950-1. Presumably as a result of these, debt at the commencement of the year covered by the Survey was, in a number of cases, as revealed by the Survey data, quite low. Moreover, as the decline in agricultural prices became evident only during the second half of the Survey year, the borrowings of cultivators, both for farm and family needs, would have generally been a function of the level of expenditure to which they had become accustomed in the immediately preceding period of favourable prices.

4.5 Other factors may also have aided the trend towards an increase in debt. There was a relatively large incidence of drought, famine and inclement seasonal conditions during the Survey year, affecting both the cultivator's capacity to repay (which would be reduced) and his need for borrowings (which would be increased). A disproportionate increase in borrowings in relation to repayments would also result from a general movement in the direction of investment for development. The boom in prices on account of the Korean War may have induced large investment expenditure in particular directions, or this may have come about through special schemes of development undertaken by Government. Whatever the forces making for a general undertaking of investment expenditure for development in a locality or a region, repayment on account of borrowings of this character would, in the initial years, form only a very small proportion of the total borrowings. Such borrowings, therefore, would result in a marked increase in debt during the year.

4.6 Apart from the operation of the general factors which may result in a growth of debt during a given period, a growth of debt may also be sometimes recorded due to some defect or aberration in the data. The timing of the enquiry at a particular point in the agricultural season would not, as such, necessarily lead to any distortion in the data. Since the Survey enquiry pertained to a full twelve-month period, the effects of any peculiarity of the time of the enquiry on indebtedness would operate equally on the figures of debt, both at the time of the enquiry and at a point of time one year earlier. However, a defect in the data may creep in owing to a failure in the reporting of repayments made far back in the twelve-month period of the enquiry, particularly if they are made out of the sale proceeds of crops of the previous agricultural season. An aberration in the data may also arise if, for some reason, a delay occurred in the period of repayments during the

Survey year. Thus, it may happen that repayments out of the sale proceeds of neither the year preceding the Survey year nor the Survey year itself would be reported within the twelve-month period of the Survey year.

4.7 We have data on outstanding debt of the selected cultivating families for a period which is, on an average, three to four months later than the end of the year covered by the investigations using the General Schedule. These were collected in the second round of the intensive enquiry which was conducted during the period April to June 1952. A change in the debt position during these three to four months may reveal any distortion in the data owing to under-reporting of repayments made during the corresponding period of the previous year. The debt at the time of the second round of the intensive enquiry would also account for repayments made late in the season after the end of the Survey year. Since the sample of selected cultivating families in the intensive enquiry was taken from the families interviewed for the General Schedule, it is possible to indicate changes in the debt position of these particular families between the end of the General Schedule year and the second round of the intensive enquiry.

4.8 A comparison of the figures of outstanding debt at the time of the General Schedule investigation and of the second round of the intensive enquiry for the sample of selected families shows that outstanding debt for these families declined in about three-fourths of the districts during this period of about four months. The comparison further reveals that the decreases in debt were generally the largest in the case of those districts which showed very large increases in debt during the year covered by the General Schedule.

4·9 Among 24 districts which showed more than 25 per cent decrease in debt between the end of the General Schedule year and the second round of the intensive enquiry, there are 13 districts which showed more than 100 per cent increase in debt during the General Schedule year. Moreover, on comparison of the data on debt at the beginning of the General Schedule year and at the end of the second round of the intensive enquiry, for the sample of selected families only, the number of districts showing a very high percentage growth of debt is seen to be considerably less than the number showing such increases during the General Schedule year itself. However, except in a small number of districts, especially those with high reported increases in debt during the General Schedule year, the magnitude of the decline in debt between the end of the General Schedule year and the second round of the intensive enquiry was small. It would appear that the difference between figures of outstanding debt at the end of the General Schedule year and of the second round does not cast any doubt on the validity of reporting in the Survey, and the decrease in debt between the General Schedule and the second round data does not, for the most part, represent anything more than the measure of repayment which, on an average, might be expected during the particular period. At the same time, the close association of large repayments between the end of the General Schedule year and the second round with heavy increase in debt in the General Schedule year in particular districts may indicate the existence of some degree of under-reporting of repayments in these cases.

5. TREND IN INDEBTEDNESS SINCE 1929-30

5.1 The last detailed enquiry which also was the first of its kind into debt in India was that by the various Provincial Banking Enquiry Committees. The methods adopted for investigating conditions relating to rural debt by the different Provincial Committees were not uniform. The results are, therefore, of varying degrees of comparability with the data collected in this Survey. Even so, as the enquiry covered the whole of British India and was simultaneous, it would be interesting to attempt a broad comparison of the results of that enquiry with the data of the present Survey. We have singled out for this comparison the measure of debt per family, which was given by most of the Provincial Banking Enquiry Committees.

5.2 The ranking of the States based on figures of per family debt according to the two enquiries itself brings out some points of significance. It is evident, for example, that there is a persistent regional pattern in the levels of debt per family, which has survived during the last two decades. Notably, the three eastern States of Bengal, Assam and Orissa hold the lowest position in the burden of debt per family over all these years. At the other extreme, the States of Punjab and Bombay are seen to be continuously high debt States.

5·3 Compared to the position as revealed by the data of the Provincial Banking Enquiry Committees, the main changes to be noticed in the ranking of States are two. By far the more important of these is the change in the position of Madras. According to the data of the Provincial Banking Enquiry Committees, Madras occupied a position somewhere in the middle in the order of States arranged in the descending order of debt per family. It has moved up, as revealed by the Rural Credit Survey, to the first place in the ranking of States for which the Provincial Banking Enquiry Committee data are available. This change in position, as between the two enquiries, shows an increase in debt in Madras which is definitely of greater significance than the increase in any of the other States. A less radical change in position, but one revealing a distinct increase in debt, is also indicated in the case of Uttar Pradesh.

5·4 Owing to a number of limitations, the comparison between the figures of debt per family according to the two enquiries cannot be pressed too far. However, it may be mentioned that the variations in money terms in the debt per family, revealed by the two enquiries, are ordinarily not large except in the case of Madras and Uttar Pradesh.

5.5 A comparison in terms of amounts of debt for the two periods must take into account the change in levels of prices. The Calcutta Index of Wholesale Prices, which is the only all-India index continuously available for both the periods, stood at 141 in 1929 and at 541 in 1951. The real burden of debt as revealed by the Survey would thus appear to be much less than it was at the time of the Provincial Banking Enquiry Committee.

5.6 The two decades after the reports of the Provincial Banking Enquiry Committees may be broadly divided into (1) the period of the depression until the beginning of World War II, (2) the War period and (3) the post-war period. One of the most significant events of the depression era, from the standpoint of its bearing upon the problem of indebtedness, was probably the enactment, in a large number of States, of debt relief legislation. An examination of the data on the working of the various Acts in the post-depression period until the beginning of World War II reveals that in practically none of the States did they succeed in making any noticeable impression on the general level of indebtedness. This is not to imply that the measures proved of no value ; in a number of cases they succeeded in achieving what was probably their main objective, i.e., to give agriculturists some time to enable them to settle claims made upon them by their creditors. According to a number of these Acts, proceedings against debtors who applied under them were to be stayed until the disposal of their applications. In view of this, it appears that the overall effect of these Acts, even where they did not bring under their purview a large section of the agricultural population, might have been to restrain creditors from instituting suits against debtors. However, the effect of these measures on the actual level of debt in the various States where they were enforced appears to have been small.

5.7 According to most observers, the general debt situation during the period 1931-9 was characterized chiefly by the inability of the cultivator to repay the principal amount of old debts in most cases and default even in the payment of interest charges to a certain extent. Fresh borrowing during this period would appear to have been reduced to a minimum. The change in the level of debt would, in these circumstances, be a function of accumulated interest on the one hand and forced liquidation of debts by sales and foreclosures on the other. The existence of debt relief legislation would itself have limited the extent of such liquidation. It, therefore, appears likely that the thirties witnessed some expansion in the monetary burden of agricultural debt. A comparison between the figures of debt in Madras, estimated by the Provincial Banking Enquiry Committee, and by Dr B. V. Narayanaswami Naidu for the year 1939, supports this view.

5.8 Some attempts have been made to assess the effect of World War II on the level of debt as a whole and on debt of various classes of cultivators. Three enquiries, one in Bombay, the other in Madras and the third in Mysore, which assessed the effect of the War on indebtedness of agriculturists, showed that the chief beneficiaries of the rise in prices of agricultural commodities during the War period were the more substantial cultivators. According to the Bombay and the Madras enquiries, the average level of debt towards the end of the War declined from what it was at the beginning in 1939, although in particular areas, as the Mysore enquiry points out, the smaller cultivator may have been actually adversely affected. However, it is clear that during the War there was no marked increase in the money burden of debt even on the smaller cultivators. At the same time the real burden of past debts was reduced to a great extent as a result of the changed value of

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money. Further, simultaneously for all classes of cultivators, debt accounts which appeared to have been immobile burdens during the period of the depression and the years following till the War, probably became more active. The evidence for this is partly contained in the data of the Rural Credit Survey. For the sample of families included in the intensive enquiry, outstanding debt was recorded in terms of years for which the debt had been outstanding. From the analysis of these data, it appears that, barring the Punjab-PEPSU region, the outstanding debt of cultivators to the extent of 80 per cent or more was of a standing of five years or less. Further, borrowings for repayment of old debts constituted only a small proportion of total borrowings during the year of the Survey. All of which, even when allowance is made for certain limitations of these data, indicate that the debt accounts during the War period had become more active for all classes of cultivators.

5.9 Much less is known about the trend in indebtedness in the post-war period owing to lack of appropriate data. Towards the latter half of the War period, roughly after 1943-4 and up to 1946-7, costs were catching up with prices and there was an evidence of stabilization of position which meant no further rapid decrease in debt for all and perhaps an increase in debt for some. This stabilization was disturbed by the large spurt of prices after decontrol which provided the agriculturist another opportunity to improve his financial position. This was followed by another brief period of comparative stability till the Korean War boom of 1950-1.

5.10 Enquiries on debt were conducted in the post-war period in West Bengal, Bombay and Hyderabad. The Bengal enquiry which covered part of the War and post-war periods indicated a rising trend in debt. The evidence contained in the data available for Bombay points to a similar conclusion. This is not surprising in view of the fact that all debts contracted for current purposes in the post-war period would be at steadily higher levels because of the continuing increase in prices. After the burden of past debts had been materially lessened—and this appears to have happened by about 1945-6—any debt survey would show debts being contracted at higher and higher levels. It is, however, important to note that none of the three enquiries at the end of the War or during the post-war period revealed a level of debt as high as that revealed by the Rural Credit Survey. The year of the Survey saw, for the first time in a period of over ten years, a sharp decline in agricultural prices and it also probably recorded on that account a higher increase in debt than in any previous year for a long time past.

5.11 The data on outstanding debt collected through the intensive enquiry provide information on the duration of the debt. These data have an important possible limitation. This arises from the possibility that the duration of outstanding debt might be reported from the date of the latest renewal of the debt and not from the date on which it was originally contracted. Bearing this limitation in mind, the most important characteristic revealed by the data is the generally small duration of a large part of outstanding debt in a majority of districts. With the exception of the Punjab-PEPSU region, in which alone the debt outstanding

for more than ten years exceeded 10 per cent of the total debt, the proportions of debt of such long duration were small in all regions. In Hissar, Bhatinda and Hoshiarpur districts of the Punjab-PEPSU region, more than 10 per cent of the outstanding debt was of duration exceeding ten years. In Jullundur this position was found only in the case of the lower strata. In these districts, repayment of debt was also financed to a considerable extent by borrowing or sale of assets. This would be indicative of conditions created by a load of chronic debts. There are only a few districts in other areas where the position was similar to that in the Punjab-PEPSU region. These are Kamrup, Ballia, Sirohi, Chittorgarh, Broach and Kolhapur.

5.12 A possible explanation for there being a large proportion of debt outstanding for a long period in some districts is that these districts were not covered by the debt relief legislation of the thirties and forties, chiefly because they were parts, at that time, of Indian Princely States. Bhatinda district of PEPSU, Sirohi and Chittorgarh districts of Rajasthan and Kolhapur district of Bombay, all fall in this category. The condition does not, however, hold for the Punjab or the Uttar Pradesh districts. In Uttar Pradesh, the phenomenon of long standing debts is restricted only to one district and this may have been due to some local condition. Concentration of such debts in the Punjab, however, cannot be easily explained, especially in view of the claims made regarding the measure of success attending debt relief legislation in the State.

5.13 There is a fairly even distribution of the burden of long-standing debts among cultivators of the upper and the lower strata; some districts show a high incidence of such debt among the upper and others among the lower strata. Although there was no concentration of long-standing debts among cultivators of the lower strata, debt outstanding for a period of five to ten years was reported in somewhat larger proportions in a number of districts among the lower than among the upper strata. Such debt exceeded 10 per cent of the total in about one-fifth of the districts among the lower and in about one-eighth of the districts among the upper strata. These two sets of phenomena may be reconciled on the supposition that the early period of rise in prices and good employment during the War, that is the period up to, say, 1946, enabled members of the cultivating class as a whole to reduce materially their outstanding debt. What was not reduced during this period became in some districts a hard core of chronic debt, which, in part, subsists even today. During the post-war period, with an increase in the general level of expenses, it is likely that the members of the lower strata have not been able, as promptly as members of the upper strata, to liquidate their borrowings, or have not been able to dispense with borrowings and to manage with own resources as much as the members of the upper strata. Consequently, the debt outstanding for the intermediate period in the case of the lower strata is proportionately higher than that in the case of the upper strata.

6. BORROWINGS

6.1 Borrowing was resorted to by a varying proportion of families in the different districts ; the proportion varied from about 8 per cent in Sirohi to 88 per cent in Deoria. The village data show larger variation ; in one village none of the families reported borrowings, while in another all the families borrowed. Out of 25 villages in which less than 10 per cent of the families borrowed (excluding the village in which none of the families borrowed), 18 are located in Sirohi, Lakhimpur, Hissar, Sitapur and Ratnagiri, which are mostly low monetized and low debt districts. In three or more villages in each of the districts Malabar, Chingleput, Deoria, Bhagalpur, Bhilsa and Jhabua, more than 80 per cent of the families reported borrowing.

6·2 In general, the proportion of cultivating families who borrowed during the year is larger than that of non-cultivating families and in several districts the difference between the two proportions is considerable. While in the majority of districts less than 40 per cent of non-cultivating families reported borrowing, the proportion of cultivating families who borrowed is generally more than 50 per cent. Some correspondence is noticeable between districts with the lowest proportions of borrowers among cultivators and among non-cultivators ; the correspondence between districts in which the corresponding proportions of borrowers were the highest is of a lower order. There is no marked difference between the proportions of borrowing families among the four classes of cultivators.

6·3 The size of borrowings per family varied from about Rs 20 in Koraput to over Rs 700 in Nainital and it was less than Rs 300 in 66 districts. In about 500 villages borrowings per family varied from Re 1 to Rs 300. Borrowings of cultivators were generally at higher levels as compared to the borrowings of non-cultivators. In most of the districts the borrowings of cultivators varied from Rs 100 to Rs 300 per family, while the borrowings of non-cultivators were less than Rs 100 per family. No borrowings by non-cultivators were recorded in 55 villages and in 416 villages their borrowings were less than Rs 100 per family. In the case of cultivators, borrowings per family were more than Rs 100 in about two-thirds of the villages.

6.4 Data relating to borrowings per borrowing family show results similar to those relating to borrowings per family. The borrowings per borrowing non-cultivating family varied from Rs 100 to Rs 300 in about three-fifths of the districts. The borrowings per borrowing cultivating family exceeded Rs 100 in all districts and in three-fifths of the districts it ranged from Rs 100 to Rs 400. Among districts in which the size of borrowing exceeded Rs 400, in some, for instance, Kurnool, Cuddapah and West Godavari, the high average levels of borrowing were accompanied by high proportions of borrowing families.

6.5 Borrowings per family and per borrowing family are seen to decline as we move from the big to the small cultivator. Of the total amount borrowed by cultivators, the big cultivators accounted for about one-fourth, the large cultivators for about half, the medium cultivators for about one-third and the small cultivators for slightly less than one-sixth. The shares of the borrowings of the different classes of cultivators in the different districts were largely centred round these all-India averages.

6.6 The proportion of borrowers in a community will depend, very largely, on the economy of the tract in relation to both farm business and family living. If farm business required borrowing for current purposes as a general rule, the percentage of borrowers among cultivators would necessarily be large. A large proportion of borrowers would be reported in tracts where the economy is such that borrowings for consumption purposes during certain seasons of the year became a necessity. Apart from these normal considerations, there would arise special features characterizing particular years, such as failure of the agricultural season, when the proportion of borrowers on current production or consumption account may rise sharply above the general average.

6.7 There does not appear to be any close association between the proportion of borrowing families, the borrowings per family and the borrowings per borrowing family. The distribution of districts in relation to the proportion of borrowing families does not seem to follow any regional or other pattern. The proportion of borrowing families, especially when very high, however, appears to be influenced by seasonal conditions. The average borrowing per borrowing family is a more stable phenomenon related to basic economic facts. The greater diversity of conditions and the wider spread over regions of districts with high levels of borrowing, as compared to districts with low levels of borrowing, indicate that a larger value and volume of credit transactions are a more mixed phenomenon than a low level of such transactions.

6.8 Relating the level of total borrowing to the level of total expenditure recorded in the General Schedule, it is found that the level of borrowing per borrowing family in the different districts usually follows the relative level of total expenditure recorded in these districts. Thus, among the 15 districts with the lowest expenditure on all reported items, 11 districts are those with the lowest borrowing per borrowing family; at the other end, among the 15 districts with the highest expenditure, 9 are those with the highest borrowing per borrowing family.

separate schedules. Borrowings of the former type, on an average, formed less than a fifth of the total borrowings. In seven districts they exceeded half the total borrowings during the year. These districts are Jalpaiguri, Shahjahanpur, Deoria, Monghyr, Akola, Parbhani and Nagpur ; in the first three districts, grain loans were important and borrowings for family expenditure were at comparatively high levels. The preponderance of grain loans in these districts can be considered to be indicative of a particular pattern of consumption economy. In Akola and Nagpur, pressing needs for current production finance appear to have been at the back of a large proportion of the borrowings which were fully repaid during the year. In Parbhani, on the other hand, family expenditure was of greater importance as a purpose of borrowing ; more than three-fourths of the family expenditure in the district was for marriage ceremonies and clothing, and it may be that borrowing for family expenditure was largely for occasional family expenditure rather than for current family expenditure. In Akola and Parbhani, grain loans were not of much importance. In all the three districts, there was also very little accumulation of past debts. The high proportion of borrowings fully repaid in this group of districts indicates the availability of comparatively large current resources.

7.9 Borrowings during the year, which were also fully repaid during the year, were particularly low in districts where, owing to failure of the season or other causes, repayments could not be made. It is clear that loans borrowed and fully repaid during the year as reported in the Survey do not represent all the short-term finance made available to the cultivators. They represent only that part of short-term finance, whether for production or consumption purposes, which is centred round *kharif* operations.

7.10 Current farm expenditure and non-farm business expenditure accounted for a much larger proportion of borrowings borrowed and fully repaid during the year than of total borrowings, although the bulk of the borrowings in both cases was for capital expenditure on farm and family expenditure. The continued importance of family expenditure and capital expenditure on farm in loans borrowed and fully repaid during the year points to certain features of the economy of the cultivators. It indicates that, apart from borrowings for occasional important purposes such as marriages, needs of current family expenditure are met to a significant extent by current short-term borrowings. The importance of capital expenditure in short-term borrowings may, in many districts, be due to the inclusion of expenditure on items of repairs and maintenance relating to land, irrigation resources, farm structures, etc., which, though not properly to be reckoned as capital expenditure, would have been recorded as such in our Schedule.

7.11 The data relating to source of finance of expenditures reported show a pattern broadly similar to that observed in the purpose of borrowing data. Borrowings were relatively less important as source of finance for current farm expenditure except in Eastern Uttar Pradesh, Rajasthan, Central India, Western Cotton region, North Deccan and the East Coast.

8. GRAIN LOANS

8.1 The data relating to debt and borrowings presented earlier are for cash transactions only. Data relating to grain loans or other transactions in kind were collected during the intensive enquiry. These bring out two or three points of some significance as supplementing the discussion on transactions in cash. The most important of these is that in about 20 districts credit transactions in kind were significant, either from the standpoint of the number of borrowers or from that of the value of borrowings in kind in relation to the borrowings in cash. The districts in which grain loans appeared to be important are generally situated in the northern, eastern and central regions of the country and are concentrated to a considerable extent in the eastern regions of low monetized economies. The data also reveal that grain loans were generally of short duration, with only a small proportion outstanding for more than one year.

8.2 In about a fourth of the districts, more than 30 per cent of the selected cultivating families reported borrowings in kind. The average quantity of grain borrowed per borrowing family in these districts ranged generally between 100 and 300 seers. The main purpose for which these loans were borrowed was either family consumption or farm use. The data for all the districts together show that about half the borrowings in kind were fully repaid during the year; the quantity repaid was about one and one-third times the corresponding quantity borrowed. Of the outstandings in kind, the major part was outstanding for less than nine months. In some of the districts like Jaipur, where the quantity outstanding for more than nine months was very large, an adverse season during the year appeared responsible for this.

8.3 There are 24 districts in which the estimated value of total borrowings in kind during the year exceeded 10 per cent of the corresponding borrowings in cash. In three of these districts, grain loans were not of importance from the standpoint of the proportion of borrowers. In two districts, namely, Sirohi and Mirzapur, the average value of kind loans per family exceeded the value of the corresponding cash loans. However, cash loans in both these districts were insignificant. In Jalpaiguri, Sultanpur and Sambalpur, the value of borrowings in kind formed over 60 per cent of the cash borrowings; in all other districts, it was less than 60 per cent of the cash borrowings. When the relative importance of kind and cash transactions is judged on the basis of outstanding loans, loans in kind decrease in importance on account of the proportionately larger repayments of such loans. The estimated value of grain loans borrowed in all these districts except Jaipur was, on the average, about Rs 60 or less per cultivating family; in Jaipur it was over Rs 100 per cultivating family. In 15 of the districts in which borrowings in kind exceeded 10 per cent of the corresponding borrowings in cash, more than 30 per cent of the cultivating families borrowed in kind.

9. REPAYMENTS

9.1 The proportion of repaying families to borrowing families varied over a wide range in the different districts. Generally, repaying families constituted a larger proportion of borrowing families among cultivators than among non-cultivators. There are, however, a few districts such as Meerut and Jullundur, in which the proportion of borrowing families among non-cultivators was large, and the percentage of repaying to borrowing non-cultivating families exceeded the corresponding percentage for cultivating families. It is also noticed that the proportion of repaying to borrowing families was least for the small cultivators and highest for the big and the large cultivators. The data relating to the selected villages show that in about three-fourths of the villages the proportion of repaying to borrowing families varied from zero to 60 per cent. In 23 villages none of the families repaid, while in 18 villages the number of repaying families equalled or exceeded the number of borrowing families.

9.2 The proportion of repaying to indebted families varied from about 1 per cent in Sirohi to about 80 per cent in Deoria ; in most of the districts the proportion was less than 50 per cent. As in the case of the proportion of repaying to borrowing families, the proportion of repaying to indebted families was generally higher among cultivators than among non-cultivators.

9.3 The average repayment per family varied from Re 1 in Sirohi to roughly Rs 400 in Nainital ; in the majority of the districts the repayments were less than Rs 100 per family. In some districts of Rajasthan, repayments were at particularly low levels, due probably to adverse seasonal conditions which prevailed in the tract during the year. The village data show that in the vast majority of villages repayments were less than Rs 100 per family. The level of repayment per family was generally higher for cultivators than for non-cultivators but even among cultivators the average level was low. The data relating to repayments per repaying family show that the size of repayment for cultivators varied from Rs 100 to Rs 500 in about four-fifths of the districts. The districts in which repayments per repaying cultivating family exceeded Rs 500 are mostly in tracts in which the level of credit transactions was generally at a high level.

9.4 The difference between the level of repayment per repaying family and the level of borrowing per borrowing family was not large in most districts. The shortfall in repayments as compared with borrowings is thus due mainly to only a small percentage of borrowers making any repayments at all during the year. Those who repaid made, on an average, substantial repayments.

9.5 The proportion of repayment to borrowing, for all districts taken together, was about 29 per cent for cultivators and about 25 per cent for non-cultivators. The proportion of repayment to borrowing was smaller among the small and the

medium cultivators than among the other classes of cultivators. In about three-fifths of the districts, repayments of cultivators constituted more than 20 per cent of their borrowings. In nearly two-thirds of the villages, repayments formed less than 30 per cent of the borrowings.

9.6 Since a part of the repayments during the year would be towards debt outstanding at the beginning of the year and a part towards borrowings during the year, we may relate total repayments during the year to the debt at the beginning of the year plus the borrowings during the year, which would be the same as the debt at the end of the year plus repayments during the year. The proportion of repayment to the total of outstanding debt and repayment was less than 20 per cent in a large majority of districts; in the case of cultivators also the proportion was below 20 per cent in most of the districts. Thus, the proportion of repayment to the total of debt at the beginning of the year and the borrowings during the year, was generally very small. This is seen to be true in the case of all classes of cultivators.

9.7 The generally small size of repayments, in relation either to borrowings during the year or borrowings plus debt outstanding at the beginning of the year, is not, by itself, an adequate indicator of the state or the performance of the economy. In order to judge repayment performance, it would be more appropriate to consider repayment in relation to requirement of repayment, arrived at on the basis of repayments that fell due during the year. The data on credit transactions was not obtained in such detail as to include information regarding the terms and conditions of repayments. Moreover, private agencies seldom stipulate clearly any such terms or enforce them rigidly. The analysis, therefore, has to proceed on the basis of the purposes of loans, which may be broadly divided into short, medium and long-term periods; on the basis of this division, an estimate of the extent to which repayments might have been required to be made during the year may be attempted. In view of the fact that repayments would be made on account of borrowings during the year as well as debt outstanding at the beginning of the year, it is necessary to have a classification according to the purposes of loans outstanding at the beginning of the year as well as of those borrowed during the year. The purposes for which debt outstanding at the beginning of the year was contracted was not ascertained in the General Schedule. Repayment requirements of debt outstanding at the beginning of the year would, therefore, have to be conceived of on some notional basis.

9.8 Repayments falling due on account of borrowings during the year would be, by definition, repayments only on account of short-term production or consumption borrowings. A certain proportion of such borrowings recorded during the year may be considered as due for repayment before the end of the year. A proportion would also have to be assumed for the repayment requirement as against the total outstanding debt at the beginning of the year, which would contain elements of both short-term as well as longer-term loans. It may be noted that the

composition of outstanding debt at the beginning of the year had some special characteristics from the standpoint of estimating repayment requirements of that debt. Towards the end of the War, the accumulated burden of past debts had been materially reduced, resulting in outstanding debt at the beginning of the Survey year being generally of less than five years' duration. This debt, to the extent that it was for long-term purposes, was, therefore, likely to contain a large element of borrowings made comparatively in the recent past. With a turn in tide, as year after year fresh loans with different periods of maturity are added to outstanding debt, the annual requirement of repayments on their account would increase so that ultimately the annual contraction of such loans and the annual repayments to be made on account of all of them would balance. In the very early stages of this process, however, i.e., soon after a process of increase in borrowings on medium and long-term account had begun, as after the end of the War, repayment requirements in this respect would be comparatively small. Taking all the above considerations into account, calculations have been made on the basis of two ratios, one that the repayment requirements of debt outstanding at the beginning of the year was one-third of the total amount and the other that it was one-fifth.

9.9 All the above assumptions are of somewhat doubtful validity. However, an examination of the data of actual repayments on the basis of the assumptions of repayment requirements made above suggests that repayments fell far short of the amounts cultivators might have been expected to repay during the year. There are some regions which seem to have performed, on this basis, particularly poorly during the year. These are Rajasthan, Punjab-PEPSU, Bihar-Bengal and South Deccan. Some districts in other regions, such as Tripura, Kamrup, Ramanathapuram and Ratnagiri, exhibit a similar situation. Particular aspects of the unsatisfactory repayment performance are emphasized by the calculations made for particular districts. For example, the absolute amounts of repayments were extremely low in districts like Palamau, Sirohi, Churu and Barmer. The repayment performance appears low because of specially large amounts of short-term borrowings during the year in districts such as Mohindergarh and Cuddapah. In some others, the fact of a large outstanding debt at the beginning of the year appears important. This is the case for instance in Ramanathapuram, Kamrup, Hissar, the Mysore districts and in several of the districts of Rajasthan.

10. FAMILY EXPENDITURE

10.1 The business of the large bulk of small producers in India, especially cultivators, cannot be easily separated from their expenditure on family consumption account. As is apparent from the data relating to purpose of borrowing, borrowing for capital or current production purposes is many times overshadowed by borrowing for short-term or long-term family expenditure purposes. It was expected that the bulk of the borrowing would take place in most districts and for most strata of cultivators for expenditure on capital account and on durable consumption goods or on special occasions of family expenditure such as ceremonies, sickness, litigation, etc. Accordingly, information relating to these items was collected in the General Schedule. In relation to family expenditure, the main gap left in the Schedule was that relating to expenditure on current consumption account; this was not attempted to be filled even for the sample of cultivating families. The extent to which borrowing could be attributed to expenditure not itemized in our Schedule has been discussed separately.

10.2 It needs to be emphasized that reports of family expenditure were obtained through the 'demand' schedules chiefly for the purpose of ensuring that the respondents remembered all the important occasions of borrowing. The schedules were not intended directly to constitute an enquiry into family expenditure. However, the data collected relating to family expenditure are set out in the following as they appear to reveal important characteristics. We have divided the items for which information was obtained into four broad groups. The first of these is expenditure on construction and repairs of residential houses and other buildings; the second, expenditure on clothing, utensils, shoes, etc.; the third, expenditure in connexion with death, marriage and other ceremonies; and the fourth, expenditure in connexion with medical, educational and litigation expenses.

10.3 The expenditure on residential buildings and other constructions may be said to reflect both physical necessity and levels of standard of living. It is clear that in a number of regions fairly heavy expenditure on this item has to be incurred by all strata. Broadly, the expenditure tends to be high in regions of heavy rainfall and in regions of extreme variations in temperature; in the drier regions or those with milder climates, the expenditures may rule low. The second group which includes clothing, utensils, foot-wear and other durable consumer goods comes nearest in our data to being representative of the general consumption account. In some ways, therefore, it may be regarded as a truer index of varying standards of current consumption from district to district and from group to group than the other types of expenditure. Physical considerations may not affect the expenditure on this group as much as they might the expenditure on residential buildings. However, climatic considerations would play some part in determining current standards and modes of expenditure on such things as clothing and foot-wear. The third

group of expenditure which comprises expenditure on ceremonies of all kinds is likely much more largely to be determined by social conventions and patterns of behaviour than by any other considerations. It shows, therefore, considerable variation from district to district. The last group is a somewhat mixed group regarding which generalizations are even more difficult to make. One constituent of the group, namely, medical expenses, may be related to physical conditions in the different districts; it may be that certain climatic conditions leading to prevalence of chronic or epidemic diseases lead to a higher average expenditure on medicine etc. in some districts. Large variations in expenditure may thus be observed from district to district; the ability of the rural family to bear these expenses may also be an important determining factor. Litigation charges, which for most districts do not figure very largely in expenditure accounts, are partly a matter of legal structure and procedure and also partly of social practice and opinion. Educational expenses are in a somewhat different category as they depend on the spread and availability of educational facilities on the one hand and on the need felt by rural families to take advantage of these facilities, on the other.

10.4 The group of items consisting of various types of equipment including clothing, shoes, etc., which we call 'durable consumer goods', shows the highest average level of expenditure; next in importance comes the expenditure on ceremonies, while expenditure on construction and repairs of residential houses and other buildings and on medical, educational and litigation charges, which are of almost equal importance, come next. This order of relative size generally holds good for all groups of families. The level of expenditure declines progressively from the big cultivator to the small cultivator, and from cultivators to non-cultivators. While in the case of many items the level of expenditure of non-cultivators was almost the same as that of the small cultivators, in two, namely, durable consumer goods and marriage and other ceremonies, the level of expenditure of non-cultivators was much lower than that of the small cultivators.

10.5 The expenditure on construction and repairs of residential houses and other buildings averaged less than Rs 30 per non-cultivating family in most of the districts. On purchase of household utensils and furniture, the non-cultivating families in all except a few districts spent, on an average, less than Rs 10 per family. In about half the districts, their average expenditure on the item was of the order of Rs 2 or less. The expenditure by non-cultivators on death ceremonies also was small, averaging less than Rs 10 per family in the large majority of districts, and Rs 2 or less per family in several of them; the proportion of families reporting expenditure on this item being small, generally of the order of 5 per cent or less, the per reporting family expenditure was high, averaging above Rs 50 in most of the districts. The per family expenditure on marriage and other ceremonies ranged from Rs 10 to Rs 50 and the per reporting family expenditure from Rs 100 to Rs 400 in most of the districts in the case of non-cultivators. On purchase of clothing, bedding, shoes, etc., almost all non-cultivating families reported expenditure; the

average expenditure generally ranged from Rs 25 to Rs 125. The average medical expenses per non-cultivating family generally varied from Rs 5 to Rs 25. The educational expenses of non-cultivators were less than Rs 10 per family in most of the districts. Expenses in connexion with litigation were incurred only by a very small proportion of the non-cultivating families and the average expenditure per family was less than Rs 4 in about four-fifths of the districts.

10.6 The expenditure on construction and repairs of residential houses and other buildings varied from Rs 25 to Rs 100 per cultivating family in about two-thirds of the districts. The highest expenditures per cultivating family on this item were recorded in Meerut and Nainital, where they were more than Rs 200. In Jalpaiguri, Sirohi, Churu, Ramanathapuram, Jhabua, Shivpuri and Mahbubnagar, very low expenditures on this item, less than Rs 15 per cultivating family, were recorded. About three-fifths of the cultivating families investigated did not incur any expenditure on this item; over one-fourth reported expenditure of less than Rs 100 per family and the rest reported expenditure varying from Rs 100 to more than Rs 1,000. The low level of expenditure in the case of the majority of those who reported this expenditure emphasizes the repair and maintenance element in this item.

10.7 Among durable consumer goods, expenditure was reported by almost all cultivating families on clothing, shoes, etc., and by about one-fourth of them on utensils, furniture, etc. The average expenditure per cultivating family on clothing, shoes, bedding, etc., was about Rs 130 as against the expenditure of roughly Rs 10 on utensils, furniture, etc. The large variation of average expenditure by cultivating families on this group of items may perhaps be taken as indicative of relative standards of living in the various districts. Among the 15 districts with the highest expenditure per cultivating family on these items are Churu, Mohindergarh, Bhatinda and Hoshiarpur from the Rajasthan and Punjab-PEPSU regions. There are also the relatively prosperous districts of other regions, such as Ahmedabad, Broach, Poona, Akola and Coimbatore, included among the first 15 with the highest expenditure per cultivating family on this group of items. Expenditure in most of these districts varied from about Rs 225 to Rs 300 per cultivating family. At the lower end, there are districts mostly from the eastern regions including Mirzapur, Jalpaiguri, Koraput, Puri, etc., Ramanathapuram from the South and Ratnagiri from the West Coast. Expenditure on durable consumer goods in these districts even among the large cultivators was about Rs 100 or less per family. The large cultivators in a majority of districts were able to spend substantial amounts, generally exceeding, on an average, Rs 200 per family, on this item. For the medium cultivators, the reported expenditure was less than Rs 150 per family in the majority of districts and for the small cultivators the reported expenditure per family was generally less than Rs 125.

10.8 The expenditure on death ceremonies was less than Rs 10 per cultivating family in a large number of districts; it was below Rs 30 in almost all districts. In about three-fourths of the districts, less than 10 per cent of the cultivating families

reported expenditure on this item ; in slightly less than a tenth of the districts the proportion was more than 20 per cent. The average expenditure per reporting family showed some variation. In some of the Rajasthan districts it was more than Rs 500; in the districts of Orissa and East Madhya Pradesh region, it was low, generally less than Rs 100.

10.9 The average expenditure per cultivating family on marriage and other ceremonies amounted to about Rs 85 per family. The average expenditure per reporting family varied over a wide range, from about Rs 50 to more than Rs 1,000. In a number of districts, the large cultivators spent more than Rs 500 per reporting family on the item. The proportion of cultivating families reporting expenditure on this item also showed wide variation. For all districts together, about one-third of the cultivating families reported expenditure on this item; however, in the majority of districts, this proportion varied from 10 to 30 per cent. The proportion of families who reported expenditure on the item shows some decrease as we go down the deciles.

10.10 The total expenditure per cultivating family on the three items, namely, medical, educational and litigation, was about Rs 60. The highest expenditure among these was recorded for the medical item ; education and litigation were next in importance, in that order. The expenditure per reporting cultivating family showed the highest size of expenditure on litigation, the next highest on education and the lowest on the medical item. Medical expenditure was incurred by the largest proportion of cultivating families, educational expenditure by the next largest proportion and litigation expenses by the smallest proportion. The expenditure per family as well as the proportion of families incurring expenditure on the three items showed a generally declining trend from the big to the small cultivators. Medical expenses per cultivating family were the highest in some of the districts of the eastern regions, such as Burdwan, Midnapore and Kamrup, as also in the West Coast districts of Malabar and Quilon. Most of the districts with the highest expenditure on litigation are found in the Eastern and Western Uttar Pradesh and Punjab-PEPSU regions.

10.11 There are two aspects from which the role of borrowings in financing family expenditure may be viewed. One would be the extent to which a particular item of expenditure is financed by borrowings. The other would pertain to the role of borrowings for that item in the total borrowings for family expenditure. The main sources of finance of expenditure were two, namely, owned resources and borrowings. We obtained data relating to finance by sale of assets also. It is seen from these that the importance of sale of assets was small except in certain individual cases.

10.12 Nearly one-fourth of the total expenditure on items of family living recorded by us was financed from borrowings. Considering the individual items, it is seen that the proportion of total expenditure financed by borrowings was about 40 per cent for marriage and other ceremonies and litigation, about 35 per cent

for death ceremonies, nearly 30 per cent for the medical item, about 25 per cent for construction and repairs to residential houses and other buildings and less than 10 per cent for expenditure on utensils, furniture, etc., education and clothing, shoes, bedding, etc. It is clear that borrowings tend to be resorted to for financing particularly those items for which the expenditure per reporting family is large. The outstanding importance of borrowing for financing expenditure on marriages etc. is an important aspect emphasized by the above. The performance of individual districts, in relation to the percentages of expenditure financed through borrowings, was by and large centred around the all-India averages; some districts, however, showed extreme variations in these percentages. The chief characteristic of the extreme variations was the association of high and low levels of expenditure with high and low proportions respectively of the expenditure being financed by borrowings.

10.13 As already stated, data on most items of expenditure on current consumption account were not collected in the schedules. However, in recording purposes of borrowing, all purposes including these consumption purposes were noted. In classifying our data relating to purposes of borrowing, all purposes other than those for which expenditure was recorded in the General Schedule were put into one residual class. Borrowings for this residual group of items ranked next in importance to borrowings for marriage ceremonies. It may be presumed that, as the main constituent of the residual group would be current consumption expenditure, borrowings resorted to in financing the expenditure on this residuary group of items would amount only to a small proportion of the total expenditure on it. This proportion might be of the same level as or would even be lower than that for such items of expenditure as clothing, shoes, etc., for which less than 10 per cent of the total expenditure was reported to have been met through borrowings.

10.14 Marriage and other ceremonies accounted for about one-third and the 'residuary' items for nearly one-fourth of the total borrowings of rural families for family expenditure. Two other items, namely, construction and repairs of residential houses and other buildings and purchase of clothing, shoes, bedding, etc., come close together next. Borrowings for the former item accounted for about one-seventh and those for the latter, one-ninth, of the total borrowings; the expenditure on the former was about one-sixth of the total recorded family expenditure whereas the expenditure on the latter was the highest at nearly two-fifths of the total family expenditure on the different items recorded by us. On the former account, the average borrowing per family was about Rs 13 and on the latter, about Rs 10. The four items noted above accounted for about four-fifths of the total borrowings for family expenditure.

10.15 Since no direct data on the expenditure on current consumption were collected, the recorded level of borrowing for this purpose, which was, on an average, about Rs 20 per family, may be examined in some detail. The average borrowings in some districts were considerably lower than the all-India average. Several of these districts were characterized generally by a low degree of monetization and a

high degree of self-sufficiency with regard to consumption needs. In regard to these districts, grain loans which were not included in the borrowings recorded in the General Schedule might play a significant part. There are, however, also in this group, other districts like Kanpur, Akola, Ahmedabad or Poona, where the relative prosperity of the average rural family might have enabled it to carry on without having to resort to borrowings for current consumption needs on a substantial scale. Excepting perhaps two or three, none of the districts with a low level of borrowing in absolute amounts on this account suffered from famine or scarcity. On the other hand, of the nine districts showing the highest level of borrowing for this purpose (exceeding Rs 40 per family), seven were reported to have been affected by adverse seasons. These are Coimbatore, Barmer, Deoria, Jhabua, Mohindergarh, Sorath and Cuddapah.

10.16 The extent of the decline in the expenditure on different items of family living as one moves from the large to the small cultivator is widely different from district to district. An attempt is, therefore, made to examine how far the gradualness or steepness of the decline in the size of cultivated holding in a district may be related to the extent of the difference in expenditure on family living between the larger and smaller cultivators.

10.17 The degree of concentration of holdings can be expressed as a coefficient ranging between the values zero and one. Such values were calculated for all districts as they are of significance in many contexts. No similar elaborate calculations were made in relation to total of recorded family expenditure. Instead, some admittedly rough indicators of comparative equality or inequality in expenditure were framed. Comparing the two sets of data, it was found that districts in which, according to our record, high inequality in relation to family expenditure existed were, in a number of cases, the same as those in which the coefficient of concentration of holdings was among the highest. For example, Satna and Rewa which are included in the group with the highest inequality in family expenditure are among the six with the highest coefficient of concentration of holdings. Three of the remaining four districts with high degree of concentration of holdings, namely, Mirzapur, Malabar and Quilon, also showed a comparatively high degree of inequality in family expenditure, although of an order slightly lower than the highest according to our definition. The sixth district, Sirohi, however, showed a great deal of equality in family expenditure according to our standards. On account of the comparative non-importance of cropping activity, a high degree of concentration of holdings in this district, on an average, may not be expected to be necessarily associated with large inequalities in family expenditure. Finally, in the other districts in which the extent of inequality in family expenditure was the highest, the degree of concentration of holdings was also fairly large.

10.18 Examining the data for existence of comparative equality as defined by our rough tests, the greatest equality was found to exist in Hissar, Kolhapur, Ratnagiri, Sorath, Churu and Jaipur ; the districts next in ranking in this regard are Poona, Jullundur, Cachar, Barmer, Jhabua, Sawai Madhopur and Sirohi. In

all these districts except three, the coefficient of concentration of holdings was less than 0.45, the exceptions being Poona, Kolhapur and Sirohi. In Poona and Kolhapur, among cultivators of the higher deciles much larger proportions of the holdings were uncultivated as compared to the proportions in the holdings of cultivators of the lower deciles. In the case of Sirohi, the reasons for the divergence observed have already been mentioned. It would thus appear that the inequality or otherwise in levels of family expenditure is related to the pattern of distribution of the cultivated holding.

10.19 Another point brought out by the data on family expenditure is the great degree of closeness in levels of expenditure between the medium and the small cultivators compared to the level of expenditure of the large cultivators. It appears that the scales of expenditure of, or the demands of social convention on, the medium and the small cultivators for undertaking expenditures are probably much alike in contrast to the position of the big and the large cultivators.

10.20 We may finally examine the total data for learning something regarding the dynamics of borrowing. If it is assumed that the value of gross produce broadly reflects the level of receipts from farm business and if such receipts constituted the major source of income of the average cultivator, a high level of family expenditure in districts with a low value of gross produce would appear to indicate that expenditure was not related in those districts during the year to the current year's receipts position. It is now generally conceded that expenditure levels have relation to levels of income in past years as well as to those in the current year. This may be particularly true of the agricultural sector, as adjustments in the sector between current production and consumption expenditure and the net receipts later resulting from the production activity are not possible in advance. If, therefore, there is any degree of relationship between receipts and expenditure of a compulsive type, it will be mostly in relation to the receipts of the immediately preceding year rather than to the receipts which are the result of current effort.

10.21 In this context, borrowing operations may be looked upon as, in part, an adjustment factor. The fluctuations in the receipts of income, both in kind and in cash, in all agricultural economies are large, particularly where considerable insecurity or uncertainty prevails. In such economies, consumption expenditure or production outlays in particular years cannot be closely related to the annual fluctuations in income. In them—and all Indian economies to some extent partake of the characteristics of uncertainty—the pattern of consumption levels would necessarily tend to be stabilized at what may be conceived of as the level of the average expectation of receipts. These average expectations of receipts would, in a manner, determine the average production and consumption outlays and borrowing would be the main balancing factor between actual receipt and actual expenditure. This characteristic and analysis would also explain the important part played, especially in the past, by investment in bullion and ornaments among the cultivators even of the lower strata. In cases where borrowing may not be

readily possible, these would represent assets that could most easily be turned into current resources for balancing purposes.

10.22 The low level of repayment during the year covered by the Survey is perhaps a reflection of the desire on the part of cultivators who have attained a certain standard of living and become accustomed to certain patterns of expenditure in the recent past, to maintain these either by sale of assets or through borrowings in the face of a fall of income during the current year. Here again, we have no definite information that the level of incomes in the year of the Survey was in fact distinctly less than the level in previous years ; but following the general belief, and as appears credible in relation to the movement of agricultural prices which experienced a slump during the latter part of the Survey year, the level of agricultural incomes in the year under investigation may be assumed to have been lower than in the previous years. In particular, the level of incomes of the year immediately preceding the Survey year, when receipts were powerfully influenced by the boom in prices which followed the outbreak of the Korean War, should have been higher than the level of incomes in the year under investigation.

10.23 In the light of the above discussion, the data relating to gross value of produce, recorded family expenditure, borrowings, repayments and the net position might be examined to see whether some aspects of the above are reflected in any of the district data. One group of districts appears the most significant in this connexion. Families in these districts showed, on the one hand, a low level of value of gross produce during the year, and on the other hand, a comparatively high level of family expenditure and fairly large borrowings for family expenditure ending up with substantial net disinvestment during the year. The repayment performance of families in these districts was also poor. All these features were evident in a marked manner in Mohindergarh, Churu and Barmer. Other districts which showed similar results fairly clearly are Burdwan and Bangalore and, in a somewhat less marked manner, Cuddapah.

10.24 The total data for these districts would appear to indicate that borrowings played in the family economy of these districts the role of a balancing factor in the sense discussed above. The extent to which borrowings can play such a role obviously depends on the measure of borrowing capacity under the existing credit system for particular cultivators. In the general Indian pattern, this would be closely related to the holding of assets by cultivators, especially in the form of land and other immovable property, as also to the extent to which these assets were free from past debts. The assets position of cultivators has been made clear in an earlier discussion and it may be recalled that even at the end of the year covered by the Survey, during which debt increased rapidly, debt as percentage of assets was relatively low. The fact that at the beginning of the year of the Survey, the average level of debt over most parts of the country ruled generally low must have been an important factor as regards the ability of the cultivators to borrow during the year of the Survey. It may be expected that cash or other liquid resources would be

drawn upon before borrowing is resorted to as a balancing factor. However, cash resources currently held by any class of cultivators, except perhaps the big cultivators, would be small; and the data on the financial investment by cultivators discussed later show how slender these were. It is also clear that cultivators would part with their land and the equipment they held only in the last resort in order to raise funds. Under the average Indian conditions, drawing on savings is, therefore, much more likely to take the shape of borrowings by pledge of ornaments or mortgage of land, or on personal security. In the Indian environment, borrowings might thus play in fact an even more important part as a balancing factor than in agricultural economies elsewhere.

11. CAPITAL EXPENDITURE

11.1 The data on capital expenditure have two important aspects; capital expenditure may often be an occasion for borrowing and capital expenditure may result in an increase in the capital assets of the cultivator and may improve his productive capacity. Capital outlays during the year by cultivating families have been classified into financial investment expenditure, capital expenditure on non-farm business and capital expenditure in agriculture. Discussions on these items are based on information collected through the General Schedule, except in the case of financial investment in respect of which data collected in the intensive enquiry are also discussed. Capital expenditure in agriculture may take a wide variety of forms. Of these, purchase of land and purchase of livestock are the most important. Among the rest, the main categories include expenditure on the development, improvement and reclamation of land, purchase of new equipment and construction of farm structures. Expenditure on construction and repairs of residential houses, which may also be considered as part of gross capital expenditure, has been already discussed under family expenditure data. The chief omission in the Survey was the collection of data on purchase of bullion and ornaments. The difficulty of obtaining information on this subject, and the possibility of an unfavourable reaction if questions relating to it were asked, led us to omit this from our enquiry.

11.2 The information relating to financial investment expenditure was obtained separately for three types of investments, namely, (1) investment in shares of co-operative societies, banks, etc., (2) deposits in co-operative societies, postal savings and other banks, etc., and (3) investment in National Savings Certificates, Treasury Bonds, etc. Investments of the last type were very small among the rural families and were reported only in a small number of districts. The proportion of cultivating families reporting such investment was also extremely small; the largest of such reports was that of about 2 per cent in Quilon.

11.3 Purchase of shares of co-operative societies, banks, etc., was reported in about four-fifths of the districts. The proportion of cultivating families reporting such expenditure was large only in Deoria where nearly half the cultivating families reported such expenditure. In Jullundur, Kolhapur and Broach, 10 to 20 per cent of the cultivating families reported such expenditure; in almost all the remaining districts only less than 5 per cent of the cultivating families reported such expenditure. The size of such reported expenditure was generally very small, indicating that the expenditure on purchase of shares was probably incurred in most of these cases merely for obtaining privileges of membership. In Deoria where the highest proportion of cultivating families reported expenditure on this item, the expenditure per reporting family was only Rs 2. There are only a few districts in which the expenditure on purchase of shares per reporting

family was substantial and in which, at the same time, the proportion of families purchasing such shares was not negligible. Among such districts are Ahmedabad, Poona and West Khandesh, in all of which the proportion reporting expenditure was about 5 per cent and the average expenditure per reporting family exceeded Rs 50. There are a few other districts such as Parbhani, Bhatinda and Coimbatore, where the expenditure per reporting family was very large, but the proportion reporting such expenditure was very small. In Quilon, about 7 per cent of the families reported purchase of shares of co-operative societies, banks, etc., the expenditure being about Rs 40 per reporting family.

11.4 The proportion of cultivating families who reported deposits in co-operative societies, postal savings and other banks, etc., was generally less than the proportion reporting purchase of shares; a notable exception is Quilon district where about one-third of the families reported deposits and the average amount deposited per reporting family was about Rs 140.

11.5 The data collected through the intensive enquiry regarding details of financial assets held by cultivators do not indicate a situation which is significantly different from that presented by the General Schedule data regarding expenditure on financial assets; however, they usefully supplement the information available from the General Schedules. According to the intensive enquiry, the holding of shares of co-operative societies, banks, etc., was the most widely held form of financial assets. In a number of districts of Bombay, the Punjab and Madras, and in Quilon, more than 1 per cent of the cultivating families held shares exceeding in value Rs 100 per reporting family. The proportion of reporting families in most of these districts did not exceed 5 per cent; in Broach as much as 13 per cent of the cultivating families reported holding of shares.

11.6 Considering the amounts involved, holding of deposits in co-operative societies, banks, etc., was generally more important than holding of shares of co-operative societies, banks, etc.; the amount of deposit per reporting family was substantially larger than the amount invested in shares in several of the districts in which both were reported; however, only a relatively small proportion of families reported deposits in co-operative societies, banks, etc., in most of the districts. The average value of assets held in the form of deposits and shares was about Rs 5 and Rs 2 respectively per family. The districts in which deposits in co-operative societies, banks, etc., were prominent are located generally in those States in which investment in shares of these institutions was also relatively important.

11.7 Assets in the form of deposits in postal savings banks, National Savings Certificates, etc., were held in a smaller number of districts and by a smaller proportion of families than the assets in the form of deposits in co-operative societies, banks, etc. The proportion of families who reported assets in postal savings, National Savings Certificates, etc., was less than 1 per cent and the average amount reported was about Rs 4 per family. As between the two, deposits in postal savings banks were more popular than investments in National Savings Certificates

and Treasury Bonds, according to the data collected in the questionnaire relating to pattern of savings.

11.8 The above may be further supplemented by data obtained from replies to the questionnaire on pattern of savings, used in the intensive enquiry. Among other things, this solicited information on savings in the form of insurance policies and deposits with private bankers or shopkeepers. In about half the districts, savings in the form of insurance policies were reported by cultivating families. In four of these, viz., Kamrup, Coimbatore, Jalpaiguri and Hassan, 5 to 10 per cent of the families reported savings in this form; in others, the proportion of reporting families was less than 5 per cent. Among the upper strata cultivators, slightly over 1 per cent reported holding of insurance policies; for the lower strata, the corresponding proportion was about 0.5 per cent. Families holding insurance policies among cultivators appear to have been relatively large in some of the selected districts of Assam, West Bengal, Madras and Mysore.

11.9 Savings in the form of deposits with private bankers or shopkeepers were reported in about one-third of the districts. In Parbhani and Quilon, about 7 per cent of the families reported investment in such deposits; in all others, the proportion of reporting families was less than 5 per cent.

11.10 The amount of financial investments and savings in the specified channels reported by cultivators would appear to have been small by any standards. A large majority of the cultivators affirmed lack of any margin for savings as the reason for their inability to invest in financial assets. As a natural corollary, very small proportions of cultivators reported preference for utilization of savings otherwise than by investment in the specified institutional channels. More than 5 per cent of the cultivators of the upper strata in Akola, Bhatinda, Churu, Shajapur, Shahjahanpur and Palamau and those of the lower strata in Deoria and Churu indicated a preference for savings in the form of bullion and ornaments and reported that it was customary for them to purchase these assets. In Tripura, Cuddapah, Bhagalpur and Deoria, more than 10 per cent of the cultivating families indicated lending as a preferential use of available savings.

11.11 Information was collected regarding the total capital expenditure in non-farm business but not regarding the details thereof. This information obviously relates to only the activities of rural households and not to the capital expenditure on non-farm business in rural areas by urban residents. Further, in the absence of detailed enquiry and classification, it is not possible to estimate the reliability of these data. However, they bring out cases of districts where non-farm business activity of rural households was important and indicate the relative position of cultivators and non-cultivators in this regard.

11.12 Although the overall proportion of cultivating and non-cultivating families who reported capital expenditure on non-farm business was about 5 per cent for all the 75 districts together, there are some districts in which much larger percentages reported such expenditure. In districts Palamau, Meerut, Bhilsa,

Aligarh, Agra and Jaunpur, about 10 per cent or more of both cultivating and non-cultivating families reported expenditure on this item. In districts Nainital, Hoshiarpur, Quilon and Raisen, about 10 per cent or more of the cultivating families reported expenditure on the item, while in districts Jullundur, Kamrup and Cuddapah, about 10 per cent or more of the non-cultivating families reported expenditure on the item.

11.13 In Agra, Bhilsa, Meerut and West Godavari, the average expenditure on the item was high, about Rs 30 or more per family, among both cultivators and non-cultivators, and the reporting was also spread over most of the villages. In Nainital, Coimbatore and Quilon, this was true only of cultivating families and in Sorath and Ahmedabad, this was true only of non-cultivating families.

11.14 Purchase of land was one of the most important items among those included under capital expenditure in agriculture. The proportions of cultivating and non-cultivating families who reported such expenditure were low in most districts. In Cachar, Malda, Chingleput, Akola, Meerut, Kurnool, Nizamabad and Mahbubnagar, the proportion of cultivating families who reported purchase of land was about 10 per cent or more. These include districts in which purchase of land was mostly for acquiring higher rights in land and those in which such purchases were reported by generally well-to-do cultivators.

11.15 The average expenditure reported per cultivating family on purchase of land was in most districts less than Rs 100; the exceptions are West Godavari, Akola, Kurnool and Coimbatore, in which the amount spent per family varied from about Rs 105 in Coimbatore to about Rs 160 in West Godavari. In Sirohi and Churu, cultivators did not report any expenditure on purchase of land. In about a fourth of the districts, including Coimbatore, West Khandesh, Parbhani, West Godavari and Akola, the expenditure per reporting family on purchase of land exceeded Rs 1,000. The village data show that average expenditure of more than Rs 100 per family was reported only in about one-tenth of the villages; an average expenditure of more than Rs 100 per reporting family was recorded in about two-thirds of the villages; in about 30 per cent of the villages no expenditure on purchase of land was reported.

11.16 The large cultivator accounted for about two-thirds of the total expenditure on purchase of land, the medium cultivator for about a quarter and the small cultivator for slightly less than a tenth. The expenditure on purchase of land per reporting non-cultivating family was relatively high in West Godavari, Akola, Kamrup, Parbhani and Jullundur.

11.17 Data relating to the source from which expenditure on purchase of land was financed show that owned resources, composed of current income and past savings, accounted for about 45 per cent of the recorded expenditure of a rural family on this item; nearly two-fifths of the expenditure was financed from borrowings. In several districts where the size of expenditure on this item was large, owned funds accounted for 50 per cent or more of the expenditure. In eight of the

districts in which the expenditure per reporting family exceeded Rs 1,000, owned funds accounted for more than half the total expenditure. In one of these, namely, Jullundur, where the purchases were mostly by displaced persons from Pakistan, all the finance was reported to have been from past savings. A relatively high proportion of the expenditure on purchase of land was reported to have been financed by past savings in Mohindergarh also. In Coimbatore where the highest expenditure per reporting family was recorded, and in West Godavari, only about 30 per cent of the expenditure was financed from owned funds. The major part of the balance was financed through borrowings. Sale of assets was not a major source of finance in any of the districts.

11.18 The data relating to purchase of land have to be correlated to the data relating to sale of land, to have an idea of the net position. Both types of data are available only in terms of value. The number of cultivating families who reported sales was generally much smaller than the number who reported purchases; only in nine districts more than 5 per cent of the cultivating families reported sale of land. The value of sale of land by cultivating families exceeded the value of their purchase only in about one-tenth of the districts, notably in Kamrup, Bhagalpur, Ahmedabad and Koraput. For non-cultivators, value of sales exceeded that of purchases in about half the districts and the differences were the highest in Nainital, West Godavari, Kurnool and Cuddapah. Among the small cultivators, value of sales of land exceeded that of purchases in about a third of the districts.

11.19 It is possible that in districts in which net sales by non-cultivators were important, transfers from them to cultivators, particularly to the large cultivators, took place. In some individual districts, the data might be taken to indicate transfers of land from the medium and the small cultivators to the large cultivators. However, the data as a whole do not indicate any definite movement of this type in any significant number of districts. For the country at large, perhaps the general net position of cultivators reflects some transfer of land in favour of rural families by urban families.

11.20 Livestock includes plough and milch cattle, goats, sheep and all other farm animals, but generally represents plough and milch cattle except in those districts where goat and sheep rearing is an important subsidiary activity of farmers. Purchase of livestock may indicate either an addition to assets or maintenance of assets by replacement. In India, the required rate of replacement of livestock, particularly plough and milch cattle, is likely to be high, especially in some regions. Among some strata of cultivators in many districts, it is reported that cattle are generally sold at the end of the cultivation season and purchased again just before the next season, owing to several reasons such as lack or high cost of fodder, lack of grazing areas, etc., or owing to the need for finance.

11.21 About a fourth of the cultivating families reported purchase of livestock; the proportion was generally high among the big and the large cultivators as compared to the medium and the small cultivators. Purchase of livestock, as also

other capital expenditure in agriculture, was not reported by large numbers of non-cultivating families; even in the few districts in which the highest proportions of non-cultivating families reported purchase of livestock, the proportion was generally less than 15 per cent. Several of these districts are very highly developed areas in regard to livestock industry, particularly dairying. Some of them are in the Uttar Pradesh and Punjab-PEPSU regions.

11.22 The average expenditure on purchase of livestock per reporting family generally varied from Rs 150 to Rs 500 for cultivators. In three of the districts, namely, Hazaribagh, Sultanpur and Durg, no expenditure on this item was reported by non-cultivators. Some of the districts in which high expenditure on this item was reported by cultivators are Hissar, Meerut, Mohindergarh, Barmer, Raisen, Ahmedabad, Bhilsa, Bhatinda and Coimbatore. Among these districts, purchases were fairly widespread in all except Hissar and Coimbatore. In Hissar and Coimbatore, although local breeds of cattle hold a high reputation, purchases were made only by small numbers of cultivators. The village data show that the expenditure on this item was widespread in most regions; only in nine villages no expenditure on this item was reported by cultivators. The size of the expenditure on this item varied from Rs 100 to Rs 300 per reporting family in a majority of the villages.

11.23 Among the different sources from which finance was obtained for expenditure on purchase of livestock, borrowings accounted for the largest share—about 45 per cent for all the districts put together. Owned funds accounted for a slightly lower proportion and sale of assets, for about 10 per cent. However, in about a third of the districts, owned funds accounted for more than 50 per cent of the total expenditure; among these are to be found some of the districts where large as well as small expenditures on the item were reported. Hissar and Bangalore are two of the districts in which sale of assets was an important source of finance.

11.24 A net sale position after taking into account both purchase and sale of livestock, in the case of cultivators, was seen only in three districts, namely, Hissar, Shajapur and Jalpaiguri. In the case of non-cultivators also a net sale position was seen in Hissar. Cultivators as a whole reported an excess of purchase over sale of livestock, while in the case of non-cultivators, value of sales was slightly in excess of that of purchases.

11.25 Data obtained in the intensive enquiry relating to number of livestock owned, and also regarding purchase and sale of livestock, support some of the conclusions arrived at on the basis of the General Schedule data. There are particular areas in which the proportion of cultivating families reporting sale of livestock was appreciably larger than the proportion reporting purchase. This would indicate the existence of livestock breeding, largely perhaps for sale outside the district. In these areas, reported sales of livestock do not represent sales of a capital asset but merely the sales of the current product of business. A notable example is the case of Hissar where breeding is perhaps an even more important business than milk production. There are several other districts where the proportion reporting

sale was larger than that reporting purchase, but the level of business in such districts was on a lower scale. Nizamabad, West Godavari and Jalpaiguri are examples of such districts. Among districts in which more than 50 per cent of the cultivating families reported dealings in livestock are Bhatinda, Jullundur, Mohindergarh and Hoshiarpur, in all of which large receipts from sale of milk were reported; in these districts milk production assumed great importance. Other districts where substantial proportion of families reported transactions in livestock and where dairying was important are to be found in the Western Uttar Pradesh and Rajasthan regions. There are also districts such as Ahmedabad, Nagpur, Poona, Coimbatore, Chingleput, etc., where due to the presence of large cities, business in milch cattle assumed special importance.

11.26 'Other' capital expenditure in agriculture pertains to expenditure on improvement, development or reclamation of land, purchase of implements and machinery, construction of farm structures, etc. All the specified items together with the residual miscellaneous item accounted for about 45 per cent of the total capital expenditure in agriculture. A considerable part of this expenditure was accounted for by the large cultivators.

11.27 In view of the fact that expenditure on this group of items is meant chiefly for farming business, its incidence per acre of cultivated holding may have greater significance than the incidence per family. In the West Coast and South Deccan regions, expenditure on this group of items, both per family and per acre of holding, was much above the average. On the other hand, in Rajasthan and the Western Cotton regions, although the expenditure per family was high, it was low when considered on a per acre basis. This is also true of the North Deccan region. In Eastern Uttar Pradesh, the expenditure per family was the smallest among all the regions. In the Assam-Bengal region, the per family expenditure was low but the expenditure per acre was above the average. In the Punjab-PEPSU region, both per family and per acre expenditures were low.

11.28 For some purposes it may be important to include expenditure on purchase of livestock also in these per acre calculations. When the expenditure on purchase of livestock is added to 'other' capital expenditure, per acre expenditure increases as we pass from the upper to the lower deciles. This is specially brought out in regions in which livestock holding or business is important. These regions are Rajasthan, Punjab-PEPSU, Western Uttar Pradesh and Eastern Uttar Pradesh. The similar trends in the Bihar-Bengal and the West Coast regions appear to be due to a rapid decrease in the size of holdings from the upper to the lower deciles with no proportionate decline in the holdings of livestock, a minimum complement of which would be required even by the small cultivator. In some regions, the per acre expenditure, including the expenditure on livestock, by the medium cultivators was the lowest, that is, lower than the expenditure by either the large or the small cultivators. These regions are the North Deccan, Central India and Orissa and East Madhya Pradesh. In these regions the livestock economy was not of great importance and the average size

of holdings was larger than in the West Coast or the Bihar-Bengal region. It is possible that in these regions the medium cultivators attained what may be termed the minimum limit of holding of livestock in relation to farm size. A further reduction in the size of holdings would then result, probably, in an increase in per acre outlay.

11.29 About 13 per cent of the cultivating families reported expenditure on the item classified as 'miscellaneous'. Owing to the item being a residual one, nothing is known about its composition in different districts. About 30 per cent of the cultivating families reported expenditure on purchase of implements and machinery. It did not, however, account for a large share of the total capital expenditure as the average expenditure on the item was small. Districts in which the average expenditure on the item was fairly high are mostly from Madras and from the Western Cotton region, North Deccan, Western Uttar Pradesh and Punjab-PEPSU. In some of the districts where the expenditure on this item was high, borrowings were responsible for financing more than 40 per cent of the total expenditure incurred. In a majority of the remaining districts owned resources were to a very large extent responsible for financing the expenditure on this item.

11.30 Reclamation of land usually means reclaiming or clearing unused land ; however, in certain cases it is a more specialized operation such as reclamation of saline lands or large-scale terracing in hilly tracts. About 5 per cent of the total number of cultivating families in all the districts together reported expenditure on this item. In about one-sixth of the districts more than 10 per cent of the cultivating families reported expenditure on this item. The average expenditure per cultivating family exceeded Rs 10 in only about a fifth of the districts. A number of districts in which this operation was important are located in Rajasthan and Central India where large areas of land are not under permanent cultivation but are taken up periodically for short-period cultivation. Jaipur, Sirohi, Bhilsa and Raisen are the districts of these regions, where more than 10 per cent of the cultivating families reported expenditure on this item. Reclamation activity as a specialized feature appears to have been undertaken in Tripura district with the help of loans from Government during the year of the Survey. In one of the selected villages in Malabar, clearing of jungles and terracing and bunding of slopes for planting rubber and coconut were reported. Borrowing was an important source for financing this expenditure in several districts.

11.31 About 5 per cent of the total number of cultivating families reported expenditure on digging and repair of wells. The expenditure on this activity per reporting family was high, ranging over Rs 200 in a large number of districts. The cost of digging wells is liable to vary considerably from region to region depending generally upon the nature of the subsoil and the depth at which water is found. The proportion of families engaged in it is found to vary among the different strata of cultivators, being specially low in the lower deciles in districts in which the cost of digging a well was high. For example, in Coimbatore district, the proportion

of families reporting expenditure on this item among the large and the small cultivators was about 35 per cent and 7 per cent respectively ; on the other hand, in Jullundur the corresponding figures are about 40 per cent and 28 per cent. Broadly, districts such as Aligarh, Meerut and Jullundur, or districts from the alluvial region of Gujerat such as Sorath and Ahmedabad, exemplify conditions where digging of wells was relatively more widely possible and less costly. In these districts, the percentage of families reporting expenditure on the item was comparatively large and the average expenditure per reporting family was generally not high. Coimbatore represents an exceptional case in which a substantial proportion of families reporting expenditure was associated with a high level of expenditure per reporting family. On the other hand, districts in Central and Peninsular India, which showed high costs of digging wells, recorded a generally low proportion of families undertaking the activity. Akola, Nagpur, Bijapur and Poona districts may be cited as examples. In most of the districts with the highest expenditure per reporting family on this item, a substantial proportion of the expenditure was financed by borrowings.

11.32 Development of other irrigation resources is a comparatively unimportant item of capital expenditure in agriculture ; except in a few districts, the proportion of cultivating families reporting expenditure on the item was less than 5 per cent. The average size of expenditure was small at about Rs 70 per reporting family. Only in four districts, namely, Jaipur, Sorath, Shivpuri and Ahmedabad, the expenditure on this item was large and the activity was undertaken on a large scale. In most of the districts in which this activity was undertaken on a relatively large scale, digging of wells was also an important activity.

11.33 Reports of expenditure on bunding and other land improvements were comparatively widespread ; in the majority of the districts, more than 5 per cent of the cultivating families reported expenditure on the item. The size of the expenditure per reporting family was, however, small, being about Rs 90. Bunding may constitute an annual feature of agricultural activity in some areas. In others, the reported expenditure may represent chiefly capital expenditure on new works. The variations in size of expenditure per reporting family from decile to decile would, in this item, tend to be closely associated with the size of the holding, especially the ownership holding. The inability of cultivators of the lower deciles to undertake large capital expenditure on this account may be surmounted where joint schemes covering large areas are planned and initially financed by Government. This happened in the contour-bunding schemes in districts of Bombay State like Bijapur and Poona. By far the most important source for financing the expenditure on this item was owned funds.

11.34 In most of the districts, little or no expenditure was reported on laying of new orchards and plantations and the proportion of cultivating families reporting the expenditure exceeded 2 per cent only in a few districts. The districts in which the average expenditure on this item was significant are Quilon, Poona, Bhagalpur, Palamau, Malabar and Midnapore. In all these except Poona, the proportion of

families reporting this expenditure exceeded 20 per cent. In parts of Malabar and Quilon, planting of arecanut, coconut and rubber trees is an important activity. In Bhagalpur district, there are extensive tracts of land under mango groves. In Poona, fruit growing activity connected with citrus fruits, figs, etc., is important in the central tract, and in Midnapore, mangoes, guavas, bananas, cashew-nuts and betel leaves are grown fairly widely. In all these districts except Midnapore, borrowings were responsible for financing more than 20 per cent of the total expenditure, and in Quilon and Bhagalpur they financed more than 40 per cent of the total.

11.35 In India it is not possible always to make a clear distinction between farm and residential houses. No marked regional concentration of districts reporting expenditure on farm structures is noticeable. It appears, however, that in some of the districts where livestock economy was of considerable importance, expenditure on farm structures was also important. Among the districts where relatively high average expenditure per reporting family on the item was recorded, borrowing was the major source of finance only in West Godavari; in the other districts the most important source of finance was owned resources.

12. CAPITAL FORMATION

12.1 Domestic capital formation has been described as that part of a country's current output and imports which is set aside as additions to its stock of capital goods. Capital goods include all goods produced for use in future productive processes, such as plants, machinery and other equipments, buildings, other constructions and works and producers' stocks of raw materials, semi-finished goods and unfinished goods. It was not possible for us to collect data on stocks and inventories held by rural families and we cannot, therefore, estimate the direction and extent of change in them during the year covered by the Survey. Our discussion does not, therefore, contain any reference to stocks of materials or goods. It is confined to what may be called fixed capital formation by household enterprises, which is measured by the expenditures of these on machinery and other equipments and buildings; other constructions and works.

12.2 There are two large limitations on the attempted measurement of fixed capital formation on the basis of our data. As the Survey was confined to families resident in the rural areas, investment by non-rural residents in rural areas would not be accounted for in the data. The other limitation pertains to our inability to attempt estimates of 'net' capital formation. Net capital formation is distinguished from gross capital formation in that it is measured after allowances are made for depreciation, obsolescence and accidental damage to fixed capital. The element of depreciation etc. could not be accounted for on the basis of our data. In small family enterprises of all types, no formal depreciation allowances can be expected. The depreciation element is made clear only when expenditure has to be incurred on the replacement of the capital asset which has ceased to be useful. Theoretically, all repairs and maintenance expenditure may itself be so full that an asset once created may be perpetual. In practice this is almost never true ; certainly not for the capital assets owned by the Indian rural family. Our data contained no firm indication of the replacement expenditure in connexion with any item. Therefore, they represent, at best, gross capital formation expenditure. The limitation arising out of lack of data on the replacement element in the figures of expenditure reported is of such overwhelming importance in the case of purchase of livestock that little purpose would be served by including expenditure, gross or net, on that item as part of gross capital formation. It would in this case be much easier to try and obtain an overall picture directly, regarding whether the total cattle and other livestock wealth of the country had or had not increased during a given period.

12.3 Our data, however, cannot be used even to measure directly gross capital formation in the rural sector of Indian economy. This is because, in a number of items of capital expenditure, the repair and maintenance elements were not and could not be excluded from the reported capital expenditure. It is

necessary to allow for these elements before attempting to estimate gross capital formation.

12.4 The items under capital expenditure included purchase of land and livestock, other capital investment in agriculture and capital investment in non-farm business. We have indicated why we do not include net purchase of livestock in our calculations of capital formation. Similarly, transfer of land by purchase or sale, from one individual to another, does not represent an addition to capital assets for the community as a whole. Expenditure on purchase of land is, therefore, excluded from our estimates of gross capital formation. Capital expenditure in non-farm business, as has already been pointed out, suffers from the limitation that such investment by rural households alone would be recorded by our enquiry. It is likely that the ownership of industrial, processing, transport, etc. businesses located in rural areas would be vested to a significant extent in persons resident in urban areas. In considering expenditure leading to physical capital formation, expenditure on construction and repairs of residential houses, although recorded by us in connexion with family expenditure, has also to be taken into account. In the light of a number of considerations relating to the size of the various items of expenditure and the manner in which expenditure on each item was distributed among different regions and different strata of cultivators, we have assumed certain proportions which may be used for eliminating the repair and maintenance elements in the expenditure on the different items of capital expenditure.

12.5 Gross capital formation, estimated for the different regions into which the selected districts were grouped, showed a close correspondence between performance in this respect and that as indicated by such other factors as size of debt, borrowings and family expenditure. The Assam-Bengal and the Eastern Uttar Pradesh regions which generally indicated a low level of economic activity according to other indicators are among the regions which recorded the lowest amounts of capital formation. Similarly, regions such as the West Coast or Western Uttar Pradesh, whose performance as indicated by our data had been generally of a relatively high standard, also recorded the highest figures of capital formation. To this general correspondence there are a few exceptions. The Punjab-PEPSU region which showed a high level of family expenditure was, however, one of the lowest in capital formation. On the other hand, the Bihar-Bengal and Orissa and East Madhya Pradesh regions showed a ranking in capital formation which was higher than could be expected on the basis of other indicators.

12.6 An examination of the figures for individual districts provides an indication of the conditions under which capital formation was or was not taking place. There are some districts in which it appears that, owing to initiative taken by private individuals or by Government, capital formation was canalized only in particular directions. This was, for example, the case with Tripura district in the Assam-Bengal region where the performance of other districts, in respect of capital formation, was generally poor. In this case, loans granted by Government for clearing of land for bringing it under cultivation appears, in a large measure, to have been

responsible for the relatively higher record of capital formation. Midnapore district is another such example where, although on private initiative, capital formation was substantially concentrated in laying of new orchards and plantations. In Bhilsa, reclamation of land by eradication of *kans* was made possible to some extent through the Central Tractor Organisation's scheme of deep ploughing. Capital formation in this district was largely centred around purchase of implements and machinery, reclamation of land and miscellaneous types of expenditure which appear to have been all connected with reclamation of land. In Coimbatore and Chingleput, where digging of wells and purchase of implements were important items in capital formation, these activities were obviously connected with the development of irrigation sources. In Bijapur, a substantial proportion of the capital formation was reported in the form of bunding; contour-bunding was undertaken in this district systematically under a Government programme.

12.7 Apart from such districts in which capital formation took place in specialized directions, there are districts in which a high level of capital formation in several directions was reported, presumably because of a generally high level of economic activity in the districts in those directions. Among these, two or three groups of districts are prominent. One is in Western Uttar Pradesh and comprises Aligarh, Nainital, Meerut and Agra. Ahmedabad and Sorath districts of the Western Cotton region and Malabar and Quilon districts of the West Coast present other examples of such districts. In West Godavari district also, in addition to the districts mentioned above, capital formation appeared to have been substantial and spread out in many directions. Some other districts also showed this characteristic of widespread activity, though generally at more moderate levels. Bhagalpur and Monghyr in the East, Jaipur, Sawai Madhopur and Jullundur in the North, Poona and Osmanabad in the West and Kurnool in the South are examples of such districts.

12.8 There are some districts such as Jalpaiguri, Mirzapur, Sultanpur, Sitapur, Hissar, Churu, Jhabua, Durg, Ratnagiri and Ramanathapuram, where, on the other hand, capital formation in all directions was extremely low. These districts also showed a low level of economic activity in most other respects. Among districts characterized by a generally low level of economic activity, there are only two prominent exceptions in which a fairly high level of capital formation was reported. These districts are Koraput and Sambalpur, in both of which capital formation exceeded Rs 150 per cultivating family, whereas in all the others mentioned above, it was less than Rs 55 per cultivating family.

12.9 Capital formation by non-cultivators was very much lower than that by cultivators. Even so, in some districts, the average figures are fairly high and this is so, particularly in the case of non-farm business activity. These districts are usually those in which general activity was high or in which non-farm activity was of considerable importance among cultivators themselves. In a number of districts, a high level of expenditure on construction and repairs of residential houses among non-cultivators was found. Capital formation by non-cultivators

was high in both non-farm business and residential houses in districts such as Kamrup, Malda, Deoria, Meerut, Bhilsa, Sorath and Quilon. In West Godavari, Ahmedabad and Sawai Madhopur, capital formation by non-cultivators was relatively more important in non-farm business. In these districts and in some others, non-farm business investment by non-cultivators was higher than that by cultivators. The divergence in the position of cultivators and non-cultivators is specially noticeable in Jaunpur and Sitapur, where the expenditure by non-cultivators in non-farm business was very high, while the general level of capital expenditure by cultivators was low.

12.10 Of the total gross expenditure by cultivators on capital formation for the country as a whole, nearly two-fifths was by the big cultivators and about two-thirds by the large cultivators. These proportions do not indicate a concentration very much higher than that of cultivated holdings. If it is postulated that a high degree of concentration in gross capital formation exists where more than half the total capital formed by cultivators is due to the big cultivators, there are several districts satisfying this condition. These districts are Hazaribagh, Monghyr, Shahjahanpur, Kamrup, Barmer, Bilaspur, Durg, Akola, West Khandesh, Shivpuri, Bhilsa, Rewa, Satna, Mahbubnagar, Osmanabad, West Godavari, Ramanathapuram, Coimbatore and Chingleput. What is interesting is that these are generally the same districts as those in which a high degree of concentration of holdings and inequality in family expenditure were noted. It may also be noted that the above list includes districts which exhibited a generally high and a generally low level of capital formation. In districts like West Godavari and Coimbatore, a high level of capital formation was recorded and in others such as Ramanathapuram and Durg, the recorded levels were among the lowest.

12.11 While presenting our estimates of gross capital formation, we would emphasize the limitations already indicated and the margin of error that is related to our sample. In terms of all-India figures, the gross expenditure by rural families on capital formation was about Rs 650 crores; this is formed of about Rs 300 crores on capital expenditure in agriculture excluding purchase of land and livestock, about Rs 250 crores on expenditure on residential houses and other buildings and about Rs 100 crores on capital expenditure in non-farm business. Because of little detailed information regarding the composition of non-farm business capital expenditure, we operate further only with estimates of capital expenditure in agriculture (excluding land and livestock purchase) and expenditure on construction and repairs of residential houses. The broad figures for the whole country give a total of about Rs 300 crores for the first group from which we deduct for the repair and maintenance element a sum of nearly Rs 50 crores. From the total of about Rs 250 crores for construction and repairs of residential houses we would make allowance for repairs and maintenance of almost Rs 80 crores. This gives gross capital formation by rural families on these two classes amounting to Rs 250 crores and Rs 170 crores respectively, totalling Rs 420 crores in the year. Even for gross capital formation, this is a high figure and much higher than the usually current estimates.

12.12 It has been already noted that situations favourable for capital formation in the country appear to be in the regions or districts in which a generally high tempo of economic activity was attained, or districts or locations where, owing to State initiative or otherwise, developmental activity in particular directions had been stimulated. As will be seen later, in the latter type of districts where special activity was started, even owned resources were drawn to a considerable extent in these activities.

13. GROSS SAVINGS

13.1 The concept of savings is much more difficult to define and measure than the concept of capital formation. Savings for an individual household would be the difference between its receipts and expenditure on current consumption and production. The savings of a household may be utilized for acquisition of capital assets or lending to others, which, from the standpoint of the community, may not result in capital formation. In a closed economy, these two types of transactions would be merely in the nature of transfers, and capital formation and savings as calculated for all members in a community would be equated. It is obvious, however, that while considering only one sector, namely, the rural sector in the Indian economy, a complete correspondence between transactions, which for the economy as a whole would cancel out against each other as transfers, cannot be assumed. Capital formation in any sector need not necessarily result from the savings effort of persons in that sector nor would the savings of the sector all necessarily take the shape of capital formation in that sector or in another sector. It is evident, therefore, that savings in a sector cannot be derived even from details regarding the finance of capital formation in that sector. In other words, there is no way of estimation of savings in any particular sector of an economy short of casting the total balance on the expenditure and receipts sides.

13.2 The data collected by us are not sufficient for an estimation of savings defined as the funds available to households, which are used by themselves directly for capital formation or placed by them at the disposal of others for that purpose. All that we can do is to indicate the volume of owned resources of households, which was available for use in given directions. These directions may be either capital formation in farm or non-farm business or in the household sector such as in residential buildings, or they may represent lendings to others either by way of financial investment such as buying a security or share, or making a deposit, or by direct lending of funds to borrowers, or again they may represent repayment of old debts.

13.3 As it is not possible for us to arrive at any idea of net savings and not even indicate any pattern of use of net savings, the only way in which we can use the data of the Survey for throwing some light on the pattern of savings is to work on a gross savings concept. Gross savings may be defined as the owned resources used for expenditure on direct capital formation, on acquisition of capital assets, in lendings or on repayments of debt. In this context, expenditure on purchase of land and livestock need not be omitted from consideration, as in the case of capital formation; we are in this case working on the basis of an individual's use of his resources, and expenditure in these directions would represent funds not spent by him on current production or consumption account. The gross savings computed on this basis would be equal to net savings if expenditure incurred by persons on capital uses from owned resources was incurred after having fully satisfied the

needs of current expenditure from current resources. The fact that a considerable proportion of current family expenditure was financed from borrowings indicates that this is not likely to be true. However, there is no reason to believe that the distribution of the general pattern of use of these gross savings would be different from that arrived at on any net basis. The General Schedule yields information regarding the extent to which various items of capital expenditure were financed through owned resources. The total of owned resources of individuals spent on items of capital expenditure we call gross savings and the pattern of use of gross savings is that yielded by information regarding the use of owned resources in various directions.

13.4 For exhibiting the pattern of use of these resources, they have been grouped into eight main directions of capital expenditure. These are, purchase of land, purchase of livestock, 'other' capital expenditure in agriculture, capital expenditure in non-farm business, construction and repairs of residential houses, repayment of old debts, financial investment and lendings. We have no direct information on the amounts lent by rural families during the year. However, on the basis of dues reported by them to have been outstanding, we have compiled certain broad estimates of amounts lent during the year by cultivators and non-cultivators. Funds lent by rural families represent an extremely important capital use of owned resources. Owing to various limitations involved, it is not possible to present them in terms of district figures and their discussion is, therefore, withheld to the end of this section.

13.5 In terms of broad all-India averages, use of gross savings appears to have been mainly canalized in three directions; these are, capital expenditure in agriculture excluding land and livestock purchase, repayment of old debts and construction and repairs of residential houses. More than 20 per cent of gross savings was utilized in each of these three directions and together they accounted for about 70 per cent of the total. Next to them in importance is purchase of livestock. We do not propose to comment on this particular direction of utilization of gross savings on account of the large element of replacement and current business expenditure likely to have been involved in its case. The three remaining directions which hold a comparatively minor place in all-India totals are purchase of land, non-farm business expenditure and financial investment. The utilization of gross savings for non-farm business shows, as in connexion with other data on this item, that it formed a consistently minor interest of rural families. It is also obvious from the extremely small amounts of financial investments reported that the resources available with the rural families were not considerable enough, in relation to other demands that were made on them, for utilization of owned resources in this direction to take a high priority.

13.6 The pattern of utilization of gross savings in individual districts does not necessarily correspond to the level of economic activity in those districts. Utilization of gross savings for capital expenditure in agriculture excluding land and livestock purchase was no doubt important in some of the districts where a high

level of economic activity prevailed. However, it was even more important in some of those districts in which, although the total expenditure was not very high, it was directed towards specialized effort. In districts such as Tripura, Midnapore, Sambalpur, Koraput and Palamau, more than 40 per cent of the gross savings was utilized for capital expenditure in agriculture excluding land and livestock purchase. This is probably indicative of the possibility of drawing owned resources of cultivators for specialized capital expenditure activity even in districts which do not show a particularly high level of general economic activity. A high proportion of gross savings utilized for repayment of debts was recorded in districts representing both low and high levels of economic activity. Some of the districts with the highest proportion of gross savings utilized for this purpose are Jhabua, Mirzapur and Mahbubnagar on the one hand and Nainital and West Godavari on the other.

13.7 Ordinarily, the rankings of districts according to the amount of capital formation and the volume of gross savings broadly correspond; however, there are a number of striking variations. There are some districts in which gross savings were high but capital formation was low. It is obvious that in these districts use of gross savings was being canalized in directions which did not lead to capital formation. In a number of such districts, one of the most important directions of use was repayment of debts. This, for example, was found to be the case in Broach and Shajapur; repayment of debt was also important along with residential house construction in Shahjahanpur and Malda. In districts like Akola, Nizamabad and Parbhani, many purposes such as repayment of debt and purchase of land and livestock as well as some of the purposes leading to capital formation were important. In these districts, however, purchase of land took a fairly high position in the total utilization of resources. Akola is among districts which showed a specially low indebted position. Other indicators show it to be fairly prosperous but it did not record a high level of capital formation. In this district, use of owned resources in increasing irrigation and for other types of improvements on land was perhaps not readily possible and large expenditures by the more prosperous rural families on housing might not have been necessary. The lack of alternative uses for investment of available resources is perhaps most emphasized in this district by their diversion towards purchase of land. In this district about 28 per cent of gross savings was utilized for purchase of land, which is very high compared to most other districts. It is also noted that the district is among those in which a high concentration in land holding and high inequality in family expenditure existed. It thus exemplifies an economy where, with given inequalities of resources and standards, and physical limitations on investment in land, the process of increase in concentration of holdings is possibly being accentuated. This process also appeared to operate to some extent in a different type of environment where, though the economies did not operate at a high level of performance, a substantial portion of such resources as were available were used for purchasing land. This appears to be the case with some districts in the rice belt, viz., Puri, Bilaspur, Durg and Chanda, where 10 per cent or more of the owned resources was used in acquisition of land.

13.8 In juxtaposing our estimates of lendings with other gross savings it has been assumed that all lendings were from owned resources. This may not be always true as resources obtained through borrowings or sale of assets may have been used by the rural families for the purpose of lending. Even so it is clear that the part played by lendings in the use of owned resources is of extreme importance. There are some regions in which lendings appear to be relatively more important than for all-India. Such regions are Punjab-PEPSU, the East Coast, South Deccan and North Deccan ; on the other hand, in Orissa and East Madhya Pradesh region, lendings constituted only about 9 per cent of the total gross savings compared to the all-India figure of about 21 per cent. A detailed discussion is out of place on account of the tentative character of our estimation of total lendings and especially of their regional breakdown. However, the figures, with all their limitations, show clearly that one of the most important uses to which owned resources available to rural families were put is that of lendings to others.

13.9 The data collected on gross savings from the sample of selected cultivating families in the intensive enquiry enable us to present one more aspect of the pattern of use of savings ; this is that of the differentiation between the upper and the lower strata of cultivators. The three main directions of investment expenditure, towards which gross savings of rural families were canalized, are emphasized by these data also. The only striking variation indicated by these data is a shift in emphasis, among the lower strata, from utilization of owned resources for capital expenditure in agriculture excluding land and livestock purchase to repayment of old debts. This was particularly noticeable in Eastern Uttar Pradesh, Central India, Western Cotton region and the East Coast. This probably emphasizes the urgency of repayments in subsistence economies and the non-availability of extra resources for any purpose other than that of maintaining the periodic cycle of borrowings and repayments. These regions did not also show any substantial degree of capital formation and gave no indication of substantial borrowings made for such purpose in earlier years. This was true of the lower strata even in the Western Cotton region.

14. INVESTMENT AND DISINVESTMENT

14.1 A surplus in a family economy may take the form of acquisition of capital assets, physical or financial, or of direct lendings to others, or of net repayments of old debts, besides an augmentation in the kind or cash balance of the family ; a deficit may be reflected either in an increase in liabilities through net borrowings or in the liquidation of assets, in addition to the depletion of kind or cash resources held. Measurement of the change in the assets position of a family and in the cash and kind resources held by it, along with its net borrowings or repayments during the year and the funds lent, if any, by it to others would, therefore, also indicate its surplus or deficit position. A complete examination of the household economy involving a full record of receipts and expenditures of different categories was beyond the scope of the enquiry. It was equally impracticable to assess the change in the value of all assets between the beginning and the end of the year, from which also surpluses or deficits may be calculated.

14.2 The data collected by us included, in addition to borrowings and repayments, information on the purchase and sale of assets by the families during the year, which could form the basis for indicating surpluses or deficits in the economy. For a proper account of surpluses and deficits, these data suffer from many of the limitations already pointed out in discussing capital formation. Further, a limitation arises out of the lack of full data on changes in cash and kind resources held. Even if it is assumed that stocks and inventories of most rural families in most years do not change in a significant way, the difference between the value of assets purchased and sold would still leave unaccounted the repair, maintenance and replacement element in the expenditure. In the discussion on capital formation, the possible amounts to be set off on different items to account for the maintenance and repair element have been discussed. We have no data for even roughly estimating the replacement element in capital expenditure and, apart from livestock purchase, it is likely to be large in bunding, land reclamation, plantation of orchards, etc. In relation to calculations of net surplus or deficit, the element of replacement in capital expenditure is of great importance.

14.3 As against possible over-estimation of increase in the assets on account of the above, there are two items on the credit side of the balance, which our enquiry could not cover. These are purchase of bullion and ornaments and lendings by rural families. It appears that during the year covered by the Survey, when debt increased phenomenally and most families had to disinvest in a variety of ways to meet the expenditure on current consumption and production, a large increase in assets in the form of bullion etc. would not have been possible. On this reasoning, if an amount equal to the sale of such assets by the rural families is set aside from the calculations, it should be enough to restore the gap created by the non-inclusion of purchase of bullion etc. The lack of data on lendings is, however, a much larger limitation.

14.4 In presenting the calculations of a balance of investment and disinvestment on the basis of our data, the major allowances on the two sides are, firstly, for lendings by rural families adding to the investment side, and secondly, for the repair, maintenance and replacement element reducing the value of the investment. It is obvious that the addition would be important only for the higher deciles and in particular for the first decile. The deductions, on the other hand, would affect the figures for all the deciles in somewhat similar proportions; or possibly, the deductions regarding repairs, maintenance and replacement may even have to be proportionately larger from expenditure incurred by the lower deciles than from that by the upper deciles. It is impossible to work out this effect in detail on the fortunes of the various groups. However, the considerations stated above make it necessary to think of the results of the year as having been much better for the upper deciles, in particular for the big cultivators, and somewhat worse for the medium and the small cultivators, than are shown by our data.

14.5 The results of the activities of all rural families concerning transactions on capital account show a small negative balance without inclusion of the expenditure on construction and repairs of residential houses and other buildings, and a small positive balance emerges when this item is included. These observations relate to calculations from our data without making any adjustment for gaps etc. The position of cultivators and non-cultivators differed in this that even with the inclusion of expenditure on residential houses, the non-cultivators continued to show a negative balance. For cultivators of all the 75 districts together, the positive balance including expenditure on residential houses was of the order of Rs 60 per family, while for non-cultivators there was a negative balance of about Rs 15 per family. In about three-fourths of the districts there is a positive balance for cultivators when expenditure on residential houses is included. For non-cultivators, a positive balance even after the inclusion of this item was recorded in only less than a third of the districts.

14.6 The districts which showed net investment for non-cultivating families are West Godavari and Sorath on the one hand and Sitapur and Sirohi on the other; high and low levels of transactions prevailed respectively in these two groups of districts. In the districts with high level of transactions, the positive balance was mainly due to the predominance of capital expenditure in non-farm business, whereas the positive balance in the districts with low level of transactions was mainly the outcome of a particularly low level of borrowings; non-farm business expenditure was relatively important even in these latter districts. Districts with the highest negative balance among non-cultivators are Bhagalpur, Bhatinda, Mohindergarh, Hoshiarpur, Barmer and Cuddapah. Prevalence of adverse seasonal conditions affecting employment opportunities available to non-cultivators and large family expenditure, resulting in substantial borrowings, appear to have brought about a particularly large adverse net balance on capital account among non-cultivators in some of these districts.

14.7 As regards cultivators, the broad position is that in nearly three-fourths of the districts the big cultivators showed a positive balance. In two-thirds of the districts, the large cultivators showed a positive balance and in all except a few districts, the small cultivators showed a negative balance position; for the medium cultivators, negative balance emerged in the case of a large majority of the districts. The inclusion of expenditure on residential houses and other buildings converted the negative balance into a positive balance in about 20 districts for the medium cultivators and in about 10 to 15 districts for the big, large and the small cultivators.

14.8 It is not to be expected that the performance of various districts on the basis of the results of transactions on capital account would necessarily conform to their performance on the basis of capital formation. The calculations regarding capital formation are based only on returns of capital expenditure without taking into account data relating to borrowings, sale of capital assets, etc. However, in a general way, districts that were found to be prominent in capital formation are also districts where, on the whole, rural families, and in particular cultivating families, were found to have done well on the balance of capital transactions.

14.9 There are 36 districts in which cultivators as a group showed a negative balance. There are 18 districts in which all the four main groups of cultivators showed a negative balance. These 18 districts are not concentrated within any particular region. However, no district from the Western Uttar Pradesh, the West Coast and the Orissa and East Madhya Pradesh regions was included among these districts.

14.10 In roughly one-eighth of the districts, all groups of cultivators returned a positive balance. In this group of districts are included districts such as Sirohi and Raisen; in the regions in which these two districts are included, there are other districts such as Barmer, Churu, Jhabua, Shajapur and Rewa, in which all groups of cultivators recorded a negative balance. Districts in which there was either a general positive or a negative balance do not thus appear to be associated to any marked degree with particular regional characteristics.

14.11 In the category of districts in which all groups of cultivators showed a positive balance, there are some like Aligarh, Meerut, Nainital and Ahmedabad, in which the general economic activity was at a high level and all indicators pointed to prosperous conditions. However, the category also included districts such as Sirohi and Sambalpur, in which very low average value of gross produce of farm was recorded and other indicators recorded low economic activity. The positive overall balance in these districts was the result mainly of very low borrowings and negligible sale of assets in them during the year. At the same time, the extent of capital formation as recorded in these districts was high, at least high as compared to the general level of transactions in them in other directions. Districts in which all groups returned a negative balance included also districts with high and low levels of borrowing per family. Those with low borrowings showed also low capital

expenditure in agriculture together with some sale of assets. The low capital expenditure in agriculture was usually much lower than the borrowings or the borrowings and the sale of assets taken together, and this gave a general negative balance. In the group of districts with high borrowings, the general level of other transactions was also ordinarily high. Thus, sale of assets, repayments, and expenditure on capital formation were of a high order but the net result of all the high level activity was ultimately a negative balance. These balances do not necessarily indicate good or bad years or seasons. They appear generally to indicate whether, during the season, the total resources were conserved or dissipated by the families concerned. At the same time it is true that the large majority of districts with a negative balance for all classes of cultivators are districts which had insecure or depressed economies or which suffered during the year or during the immediately preceding years from adverse conditions. A number of districts from the Punjab -PEPSU and Rajasthan regions and districts such as West Khandesh, Jhabua and Ramanathapuram, included in this group, exemplify conditions of the types mentioned above. There is none among these districts which by any other indicator had done particularly well during the year. As pointed out above, it might be possible that districts which had even adverse seasons during the year might make a good showing in these calculations if, especially, the total borrowings and other disinvestment operations had been kept low by the average family. Such cases would be exceptional; but that it was possible for this to happen indicates the usefulness of our calculations in bringing out important differences in borrowing and expenditure behaviour on the part of the average family in a district, even in circumstances which were adverse, though this may be no more than a forced adjustment to low level operations because of chronic adverse circumstances in the district.

14.12 It has been indicated above that a high degree of capital formation is not found necessarily associated with either a uniformly positive or a negative balance among all groups of families. The bad fortunes of some groups and the good fortunes of some other groups may coexist and are fully compatible with high capital formation by groups which have done well during the year. This explains why a large number of districts with high capital formation do not show positive balance in the case of all groups of families. However, the real inconsistency would appear to be a high degree of capital formation associated with a negative balance for all groups. Among the districts in which all groups showed a negative balance, there are four, namely, Bhagalpur, Bhatinda, Kurnool and Sagar, which showed comparatively high capital formation. An explanation of the apparent inconsistency in relation to the four districts may partially lie in the non-inclusion of lendings in our data, which have not yet been brought into the picture. It may happen that the negative balance is brought about not as a result of resort to external finance but through loans raised within the community. This consideration may alter the picture in relation to the deficits shown by the big cultivators or the upper deciles in particular districts.

14.13 The data for the different districts emphasize how a variety of relations may subsist between various factors. A high increase in debt may have been

utilized in a substantial measure towards capital formation or may not have been utilized at all, or very little of it may have been utilized towards that purpose. A positive balance during the year for all classes, associated with high borrowings, may result in a particularly high level of capital formation; on the other hand, a generally negative balance may coexist with high capital formation, financed by even a higher level of average increase in debt. In the latter case, not only would the funds for capital formation be found largely by borrowing, but borrowing would also have been used to a substantial extent for meeting the needs of current consumption and production finance. It may be noted that most districts in which a net negative balance for all classes of cultivators was found coexisting with fairly high capital formation, reported an average increase in debt of more than Rs 200 per cultivating family during the year.

14.14 An attempt may now be made to determine modifications necessary in calculations based on our data, on account of the gaps in them which have been already indicated. The chief limitations indicated are omission of lendings of different groups of families and disregard for the maintenance and repair aspect of all the three major items on the investment side, namely, expenditure on residential houses, capital expenditure in agriculture and non-farm business expenditure. Further, in view of the large proportion of total expenditure represented by purchase of livestock in which a substantial element of replacement would have been present, it might be desirable to omit the item from the picture. We obtained no direct data regarding the lendings of cultivators or non-cultivators. We had asked them, however, what their outstanding dues were at the time of the enquiry. We have assumed that the ratio of borrowings during the Survey year to outstandings at the end of the year, as obtained from reports of borrowers, would also be the ratio of lendings by rural families during the Survey year to the dues reported by them. The data on dues have been used to arrive at estimates of lendings during the year on this basis.

14.15 Calculations of net balance may be presented with modifications in respect of the limitations mentioned. Instead of taking credit on the investment side for the total expenditure on the items of capital formation, only two-thirds of the total expenditure on these items has been taken credit for. Further, the estimated lendings have been added to investment and to eliminate the effect of livestock transactions, net purchase of livestock has been deducted from total investment. The result of the total calculations is somewhat striking. It shows a large balance on the positive side for the big cultivators. The large cultivators also showed a positive balance. However, the positive balance for the cultivators of deciles two and three together was extremely small, of the order of Rs 20 per family, as compared to the positive balance of nearly Rs 400 shown by the first decile. The medium and the small cultivators showed a definite negative balance, which was also the case with non-cultivators as a group. All cultivators, and all rural families taken together, showed a slight positive balance which is mostly due to the very large positive balance of the big cultivators. These calculations thus bring out fully the

wide difference between the big cultivators and all the other classes of cultivators and non-cultivators, and it emphasizes that the medium as well as the small cultivators suffered during the year at least a small deficit on capital account. Obviously, these are average figures calculated on the basis of somewhat rough assumptions. However, it is believed that they do represent, in the main, what appear to be the real features of the situation.

14.16 Calculations regarding net balance of the families included in the General Schedule enquiry were made and have been presented for groups of families. The group results do not necessarily reflect the position of all or even a majority of individuals comprising the group. The number of cultivating families interviewed in the intensive enquiry was small and it was possible in this case to cast net balance for each individual family interviewed. From these data it is, therefore, possible to present calculations regarding numbers showing positive or negative balance among the selected cultivating families in the district as a whole and as divided among the upper and the lower strata. The results of these calculations based on the data for only the selected cultivating families may diverge from the results obtained for the much larger number included in the General Schedule enquiry. Some divergences in the results appear to have significance and are, therefore, noted. Among the selected districts of Madras, the General Schedule data indicate a positive balance for four districts and a negative balance for three others ; the intensive enquiry figures indicate a positive balance for only two districts. Moreover, as revealed by the numbers of those included in the intensive enquiry showing a negative balance, the position is almost uniformly bad for all the districts of Madras ; the data in relation to numbers show that more than about 55 per cent of the cultivating families in the lower strata and more than about 45 per cent of the cultivating families in the upper strata, in each district of Madras, showed a negative balance during the year. The comparative results for the States of Punjab and PEPSU present a contrast. According to the General Schedule enquiry, of the five selected districts in these States, a negative balance appeared for all classes of cultivators in all the five districts except for the first three classes in Jullundur and for the medium cultivators in Hoshiarpur. According to the intensive enquiry, only in Mohindergarh, Hissar and Jullundur, a large proportion of families showed a negative balance. For the upper strata in Hoshiarpur and for the lower strata in Jullundur, the percentage of those having a positive balance was higher than the percentage of those having a negative balance ; in Bhatinda the proportion showing a positive balance was larger in both the strata. Thus, whereas measured by overall amounts the results for the Punjab and PEPSU appear worse than those for Madras, on the basis of the number of individuals with positive and negative balance among the selected cultivating families, the position appears reversed.

14.17 The calculations in regard to numbers showing a positive or a negative balance reveal another striking feature. They show that except in a few districts there is no striking difference between the proportions reporting positive or negative

balance in the lower and in the upper strata. It is clear that a positive balance is not as a rule associated with the upper strata and a negative balance with the lower. Variations in numbers showing a positive or a negative balance in both the strata, as between different districts, were more or less similar. The possibility of appropriate adjustment of total transactions, even under adverse conditions, has already been indicated with reference to some districts where even the small cultivators showed a positive balance. It might be added that farm business data show, in the case of the cultivators of the lower strata, a predominance of cash receipts from sources other than farm business. Therefore, there is no reason to expect the lower strata to be specially affected by an adverse agricultural season.

14.18 The data for all the 75 districts together, in terms of numbers showing a positive or a negative balance, involving 6,000 cultivating families of the upper strata and 3,000 of the lower strata, give the following results. Among the upper strata cultivating families there were about 50 per cent with a positive balance as against roughly 40 per cent among the lower strata. Nearly 20 per cent among the lower strata did not report any transactions whatsoever on capital account; the corresponding proportion among the upper strata was only a little above 10 per cent. The proportion of cultivating families showing a negative balance in the lower strata was about 40 per cent; in the upper strata, a slightly lower proportion—about 37 per cent—reported a negative balance. About 2 per cent of the families in both the strata showed no balance, the transactions on both sides being exactly equal.

15. CURRENT FARM OPERATIONS

15.1 The main purpose of the study of farm business of a small number of selected families was to obtain details regarding the scale and characteristics of farm business operations, which might make it possible to interpret significantly information obtained in the General Schedule in regard to the major aspects of the agricultural credit system. The starting point of this discussion is the size of operation of farm business. In most cases the measurement of this is given by the value of gross produce of farming, which helps to bring out the relative size of farm business of cultivators in different regions and strata.

15.2 The expenditure incurred on farm operations is another important aspect of the data. The variations in the size of expenditure between different regions, the extent of resources in kind used in relation to cash expenses and the size of expenditure incurred on particular items, are all important from the standpoint of the size of loans required for different purposes in different areas. Equally important is the variety of sources from which cultivators derive cash receipts; the dependence of cultivators, especially of the lower strata, on receipts other than those from the sale of crops and fodder, is quite large. The problem of seasonality in receipts and expenditure is also illustrated to a large extent by our data. The data indicate the extent to which and the points at which there is strain on the cash resources position of the cultivator, and emphasize the seasonal gaps in the cash position of the cultivator.

15.3 The different aspects of the farm business data considered together give the total picture of the position of the cultivator in relation, for example, to his ability, if any, to undertake orderly marketing of his produce. It is clear that when the size of individual businesses is small and the pressure of seasonal demand on cash resources is considerable, deliberate action in regard to marketing and the ability to do without reliance on a credit or a credit-cum-trading agency would be small. Difficulty of co-operative action, especially in areas where the surplus to be sold is a small proportion of the total produce and is available with individuals in very small lots, would be correspondingly considerable.

15.4 The value of gross produce is the value of all farm produce whether sold or retained for consumption or seed. It is believed that there was some under-reporting of the quantity produced and its sale price, and that some minor items might not have been included in the reports. The extent of the underestimation probably varied from district to district.

15.5 The data relating to farm business have been classified into a number of divisions on the basis of the value of produce. On comparing the classification of cultivating families on the basis of value of gross produce with that on the basis of cultivated holding which gives the division into deciles and into the lower and the upper strata, it is found that the two do not correspond completely. An important

reason for the divergence would be that while the classification of cultivating families according to value of gross produce has been made for all the selected cultivating families for the country as a whole, the division into deciles and strata was made separately for each village. As the size of holding diverged very widely over the country and the average size of holding and of business were much larger in some areas than in others, the separate classification for each village would give results very different from the results obtained if the classification had been made on the basis of size of holding for the sample of cultivating families as a whole. On this account alone our classification of cultivating families into size classes according to value of gross produce would not correspond completely with the division based on the size of holding. A similar situation, it may be noted, would also arise if an area had suffered scarcity or famine conditions during the year as a result of which even large cultivators in the area would have low values of gross produce.

15.6 Differences in the productivity of land cultivated or differences in the composition of holdings according to quality of land in the upper and the lower strata would also lead to some divergence in the grouping according to the value of gross produce and that on the basis of the size of cultivated holding. The total degree of non-correspondence between the two classifications appears to be of the order of 30 per cent only, and this has to be attributed to all the factors discussed above taken together. Differentiation in the average quality or productivity of land cultivated by members of the different strata would, therefore, be responsible for only a small degree of the divergence. As a large part of the later discussion is based on the differences in results in the sample between the lower and the upper strata, the indication that, in the main, the classification made by us on the basis of physical acres (for want, of course, of any other easily available and quickly applicable criteria of classification) does give results that are generally in conformity with gradation in economic status as indicated by value of gross produce, is of importance.

15.7 The value of gross produce for about 30 per cent of the selected cultivating families was less than Rs 200 per family and for about 20 per cent it was between Rs 200 and Rs 400 per family. Making an allowance for total underestimation of the order of even 50 per cent, the result of all farm business gives a value of gross produce of the order of only about Rs 600 or less per year per family, for nearly half of the nation's cultivators. This is, by any measure, an alarmingly low figure whose importance in any evaluation of the conditions of Indian agriculture cannot be underestimated. In the upper strata, the value of gross produce exceeded Rs 400 per family among about 70 per cent of the cultivators, whereas in the lower strata it was below Rs 400 among about 70 per cent of the cultivators.

15.8 The value of gross produce per cultivating family generally increased with the increase in the average area sown. An increase in the value of gross produce per acre was also associated with an increase in the total value of gross produce. The average area sown per cultivating family increased from about 5 acres to about 60 acres between cultivating families with value of gross produce less than Rs 200 and those with value of gross produce above Rs 5,000; at the same time the value of

gross produce per acre increased continuously from about Rs 20 in the former group to about Rs 135 in the latter.

15.9 Total farm expenditure constituted about one and a quarter times the value of gross produce for the group of cultivating families with value of gross produce below Rs 200; this proportion in the case of the group with value of gross produce between Rs 200 and Rs 400 was about 80 per cent. Among all the groups with value of gross produce exceeding Rs 400 per family, it varied from 60 to 70 per cent. In the case of the groups in which recorded cultivation expenses exceeded the value of gross produce, barring those cases where this happened owing to a total or partial failure of crops, the existence of a subsistence economy is indicated, where cultivation is undertaken not for sale of produce but primarily for obtaining for home consumption the produce of the farm. The possibility of an underestimation by us of total farm expenses may also be noted. This happened to the extent that certain items were available for use in kind out of the produce of the farm itself. In this group of items, seed and manure produced on the farm and used in farm business were noted among farm expenses. The most important item of this class was fodder which was not included by us in the cultivation expenses.

15.10 The data relating to various items of cultivation expenses were collected for each of the two six-month periods, April to September and October to March, pertaining to the year 1951-2. This investigation was not undertaken with the objective that farm cost and management studies have in view. Owing to the limited objectives of this study, an evaluation in monetary terms of family labour, draught cattle power and owned fodder used in cultivation, was not undertaken. Most other relevant items of expenditure, viz., purchase of materials, hired labour or equipment used, costs incidental to marketing and fixed charges such as rent and revenue, were, however, enumerated. The fact that the value of family labour, draught cattle power and home-grown fodder used on the farm were not evaluated in monetary terms would tend to exaggerate the relative importance of cash to total farm expenses. The use of home-grown fodder on farm may vary to a larger extent than the use of family labour or draught cattle power in different regions; the use of such fodder in predominantly livestock economies may be very much more important than elsewhere. For all the 75 districts together, the cash farm expenditure amounted to about Rs 280 per cultivating family on the average, which constituted about 57 per cent of the total farm expenditure. Of the total cash expenditure, wages accounted for about 24 per cent, fodder for about 21 per cent, seed for about 10 per cent, manure for about 8 per cent and all the rest such as rent, revenue, interest payments, salaries to annual farm servants, etc., for the balance.

15·11 On the basis of the proportion of cash to total expenditure, the 13 regions into which the selected districts are grouped can be divided into three types according to the degree of monetization. In the Assam-Bengal, Eastern Uttar Pradesh and Orissa and East Madhya Pradesh regions, as well as in the Punjab-PEPSU and Central India regions, cash expenses constituted less than half the total

cultivation expenses. Among these regions, the Punjab-PEPSU and the Central India regions are predominantly wheat and millet-growing areas, whereas in the others the chief crop is rice. The level of expenditure, both cash and total, in the Punjab-PEPSU and the Central India regions was about twice as large as that in the rice-growing regions. The total expenditure ranged from about Rs 450 to Rs 700 in the former and from about Rs 250 to Rs 350 in the latter. The proportion of cash expenditure on seed to total cash farm expenditure in the Eastern Uttar Pradesh region and that of cash expenditure on wages to total cash expenditure in the Assam-Bengal region were markedly higher than the corresponding proportions prevailing in the other regions of this group. In Eastern Uttar Pradesh, cash expenditure on seed accounted for nearly 30 per cent of the total cash expenditure as against an all-India figure of about 10 per cent. In the Assam-Bengal region, cash expenditure on wages accounted for about 40 per cent of the total cash expenditure as compared to an all-India figure of about 24 per cent. Similarly, in the Punjab-PEPSU region, cash expenditure on fodder accounted for about half the total cash expenditure, compared to an all-India proportion of about one-fifth. The high cash expenditure on seed in Eastern Uttar Pradesh was due to cultivation of sugar-cane in some of the selected districts such as Deoria. The importance of livestock in the economy of the Punjab explains the comparatively high expenditure on fodder in that region.

15.12 There are three regions in which the proportion of cash to total expenditure varied from 50 to 60 per cent. These are the Bihar-Bengal, Western Uttar Pradesh and the North Deccan regions. Cash expenses in these regions, at about Rs 400 in the North Deccan, about Rs 275 in Bihar-Bengal and about Rs 240 in Western Uttar Pradesh, exceeded those in the preceding group of regions with the exception of Punjab-PEPSU where cash expenses stood at about Rs 330 per cultivating family. The cash expenditure on seed in these three regions except the North Deccan was below the all-India average. Further, in the North Deccan region more than two-fifths of the total expenditure on seed was incurred in cash, whereas in the other two regions cash expenditure was about one-fourth of the total expenditure on the item, indicating a lesser degree of self-containedness in respect of seed in areas with predominance of cash crops. In the Bihar-Bengal region, cash expenditure on wages was relatively more important than in the other two regions; in Western Uttar Pradesh, 'other' cash expenditure was the most important item, accounting for about half the total cash expenditure.

15.13 In the remaining five regions, the proportion of cash to total expenditure exceeded 60 per cent. Among these are the Western Cotton region, the South Deccan, the East Coast and the West Coast. The Rajasthan region is also included among these. Of the former four regions, the level of cash expenditure exceeded Rs 500 per cultivating family in the Western Cotton region and the South Deccan; even in the remaining two regions, although it was less than Rs 400 per cultivating family, it was above the highest recorded in any other region except the North Deccan. Cash expenditure in Rajasthan was only about Rs 220 per cultivating family.

15.14 The latter group of regions with the exception of Rajasthan includes some of the more commercialized tracts of the country. The main characteristic of farm expenditure in these regions, particularly in respect of expenditure on manure and wages to hired labour, is the greater extent to which expenditure was financed in cash. In the Western Cotton region and the South Deccan, nearly half the total expenditure on seed was incurred in cash, as against an all-India proportion of about one-third. The proportion of cash to total expenditure on manure varied from about 35 to 60 per cent in all these regions except Rajasthan, the all-India proportion being again about one-third. Cash expenditure on wages formed substantial proportions of the total expenditure on wages in all the regions of this group.

15.15 The high proportion of cash to total expenditure in the Rajasthan region was mainly the result of a comparatively low importance of farm business. In this region, a part of the expenditure, which in other regions would be met through use of produce of own farm, might have been met through cash expenditure because of the relatively smaller size of the business. In the Rajasthan region, famine conditions prevailed in many districts not only during the year of the Survey but also during the immediately preceding years. As a result, many cultivators had no carry-over of seed etc., for operations during the current season. The failure of the season would also have caused them to undertake substantial outlays on the purchase of fodder for livestock which constitute the mainstay of the agricultural economy in the region under famine conditions.

15.16 Cash expenditure expressed as a ratio of total farm expenditure did not vary to an appreciable extent between cultivating families of the upper and the lower strata. However, the total expenditure of the two groups of families varied widely, being about Rs 780 and Rs 210 respectively per family. The proportion of cash expenditure on fodder to total cash expenditure was about 25 per cent for the families of the lower strata, compared to 20 per cent for those of the upper strata. This is probably due to a greater complement of cattle being employed by the smaller cultivators in relation to the size of their holdings. The proportion of 'other' cash expenditure to total was about 40 and 30 per cent respectively for the upper and the lower strata. The proportionately greater importance of 'other' cash expenditure for the upper strata was mainly due to salaries to annual or permanent farm servants. The cash expenditure on seed was about 10 per cent and 15 per cent respectively of the corresponding total cash expenditure for the upper and the lower strata. Moreover, as much as about 45 per cent of the total expenditure on seed was incurred in cash by the lower strata, compared to about 30 per cent by the upper strata. The upper strata cultivators thus relied to a greater extent on supply of seeds available on the farm than the lower strata cultivators. On the other hand, more than 35 per cent of the total expenditure on manure was incurred in cash by the upper strata, compared to about 25 per cent by the lower strata. This may be due both to the proportionately smaller number of cattle maintained by the upper strata cultivators in relation to their holdings, yielding smaller amounts of farm-yard manure per acre of holding,

and to their ability to spend more on manure. The cash expenditure on manure amounted to about Rs 40 per family in the upper strata, compared to about Rs 8 per family in the lower strata.

15.17 There are altogether twelve large and small items of expenditure included in the category 'other' cash expenditure. Significant variations in the proportions spent on different items among the upper and the lower strata occurred in respect of three or four of these items. The upper strata spent about 35 per cent of their expenditure under this head on salaries to annual farm servants compared to nearly 15 per cent spent by the lower strata; cash rent and revenue paid by the upper strata formed less than a third of their total expenditure on this group of items compared to about two-fifths in the case of the lower strata. Interest paid on loans amounted to about 9 per cent among the upper and 11 per cent among the lower strata.

15.18 Expenditure in kind was broadly divided into four classes, namely, (1) value of seed owned, (2) value of manure owned, (3) wages in kind paid to hired labour for seasonal agricultural operations and (4) payments in kind made immediately after harvest, which included rent share to landlord, share to co-sharer, wages in kind to labour for harvesting etc., remuneration to artisans and services and other payments in kind. Disposals in kind immediately after harvest accounted for about 45 per cent of the total expenditure in kind, whereas the value of seed and that of manure owned accounted for about 25 per cent and 20 per cent respectively of the total; wages to seasonal agricultural labour other than at harvest accounted for less than 10 per cent of the total. Rent paid to landlord and share to co-sharer accounted for about 45 per cent of the total payments in kind after harvest. Wages to labour for harvesting etc. accounted for about 30 per cent and payments in kind to artisans and services accounted for about 20 per cent of the total payments after harvest. The value of owned seed and owned manure used on the farm constituted nearly two-thirds of the corresponding total expenditures on these two items.

15.19 The value of owned manure used was generally substantial in relation to the total outlay on manure. Value of owned manure used was at a low level in the eastern regions of Assam-Bengal, Bihar-Bengal and Orissa and East Madhya Pradesh, where rainfall is high and the complement of cattle owned is generally poor in quality. In these regions, the value of payments in kind made to artisans and services at harvest time was extremely small. This was also true of the West Coast region. In most of the remaining regions, remuneration to artisans and services represented broadly about a fifth or more of the total disposals at harvest. This may be an outcome of a difference in the village community pattern in the eastern regions and the West Coast region in relation to the employment of artisan service from that prevailing in the rest of the country.

15.20 The cash receipts of cultivators are divided into two broad groups for purposes of discussion. These are (1) cash proceeds from the sale of crops and fodder and (2) cash receipts from other sources. The latter group includes cash receipts

from sale of milk and milk products, sale of poultry and poultry products, sale of seed and plants, sale of manure, wages, remittances, carting, rent, interest and other sources. Information regarding receipts from non-farm business was not asked for.

15.21 About 80 per cent of the total cash receipts of cultivators was derived from two main sources, namely, sale of crops and fodder which accounted for about 55 per cent of the total, and cash wages which accounted for about 25 per cent. Importance of receipts from cash wages for cultivating families in the lower strata, at about 45 per cent of the total, was greater than that for those in the upper strata where the corresponding percentage was about 15 per cent. On the other hand, cash receipts from sale of crops and fodder constituted about two-thirds of the total cash receipts of the upper strata cultivators, compared to about one-third in the case of the lower strata. However, the total amount received as cash wages by the average cultivating family of the upper strata was not greatly lower than the corresponding figure for the lower strata. The average amount of cash wages received by the upper strata was about Rs 90 per family compared to about Rs 140 per family received by the lower strata. The item remittances included in other cash receipts is also likely to be mainly derived from cash wages earned by members of the cultivating families, as it would chiefly represent wages earned and remitted by such members residing outside the village. The amount of remittances received by the upper strata cultivating families was larger at about Rs 30 per family, compared to about Rs 15 per family received by the lower strata. Remittances and cash wages together accounted for cash receipts of about Rs 120 and Rs 155 per family respectively in the upper and the lower strata. The comparatively small difference in these two amounts indicates that, although the larger cultivators depended upon this source of income in relation to their total cash earnings to a much lesser extent than the smaller cultivators, their earnings from wage labour in terms of amounts were not much lower than those of the smaller cultivators ; the extent of outside wage labour performed by members of the upper strata was thus not greatly less than that performed by members of the lower strata.

15.22 The sources of cash receipts other than sale of crops and fodder, wages, remittances and sale of milk and milk products were not important in the large majority of cases. Receipts from remittances and those from the sale of milk and milk products were small only when compared to those from sale of crops and fodder and cash wages. In 16 districts, remittances amounted to Rs 50 or more per cultivating family of the upper strata, and in all except four of these they accounted for over 10 per cent of the total cash receipts; in Ballia, Ratnagiri and Malabar, remittances received by the upper strata were particularly large and accounted for more than 20 per cent of their total cash receipts. For the lower strata, Ballia and Ratnagiri districts stood out above others in the extent of cash receipts from remittances which exceeded 50 per cent of total cash receipts. Districts in which receipts from sale of milk and milk products were important are mostly from Western Uttar Pradesh, Punjab-PEPSU and Rajasthan ; one or two

of the other districts are those in which cities provided large markets for sale of milk. In Nainital, Jaipur and Ahmedabad, substantial proportions of the total cash receipts of both the groups of strata were derived from the sale of milk and milk products. For the upper strata cultivators in Poona, Churu, Barmer and Mohindergarh and for the lower strata cultivators in Meerut and Hissar, sale of milk and milk products accounted for large proportions of total cash receipts.

15.23 Cash receipts from sale of crops and fodder constituted less than half the total cash receipts of cultivating families in about three-fourths of the districts in the case of the lower strata and in about a fourth of the districts in the case of the upper strata. The districts thus common to both the groups of cultivators are mostly from Rajasthan, Uttar Pradesh, Bihar and Orissa. They include Churu, Sirohi, Barmer, Ballia, Jaunpur, Mirzapur, Sultanpur, Sambalpur, Puri, Hazaribagh and Monghyr. Poona district, where sale of milk and milk products accounted for about 45 per cent of the total cash receipts of the upper strata cultivators, is also included among these districts. Ratnagiri district from the West Coast region, which is one of the primary sources of labour for Bombay city, is also among these. Generally, in these districts wages constituted one of the most important sources of cash receipts of the upper strata. In some of the districts of Rajasthan and Uttar Pradesh, receipts from the sale of milk and milk products were important along with wage receipts. In Ratnagiri and Ballia, remittances accounted for substantial proportions of the total receipts. Even among districts where over 50 per cent of the total cash receipts of the upper strata cultivators was derived from sale of crops and fodder, there are some in which other sources, particularly wage receipts, were important. Tripura, Bilaspur, Chingleput and Sagar are examples of such districts. In these districts, wage receipts were very important for the lower strata.

15.24 The data discussed above are illustrative of the more extreme cases in which cash receipts of cultivating families in both the strata from sale of crops and fodder were particularly low or where wage receipt was fairly important as a source of cash receipts along with sale of crops and fodder. In about three-fourths of the districts, cash receipts from sale of crops and fodder exceeded half the total cash receipts of the upper strata ; receipts from wages and remittances were also fairly important in a number of these, and in some districts in which cash receipts from farming were very important for the upper strata, the importance of this source of receipts among the lower strata was comparatively small.

15.25 In about a fourth of the districts cash receipts from sale of crops and fodder exceeded 50 per cent of the total cash receipts for both the strata. It was mainly in these districts, where crop-raising proper was the most important source of cash income to the cultivators in both the strata, that farming could be called a full-time occupation of the body of cultivators. To these may be added districts like Nainital, Jaipur, Meerut and Hissar, where mixed farming, which chiefly indicated livestock business combined with crop-raising, constituted the chief source of cash income. All these districts are geographically confined to only a few parts of the country such

as the regions of Eastern India, the Western Cotton region, Western Uttar Pradesh and the Punjab ; one or two districts like Coimbatore and Osmanabad of the South also showed similar characteristics. In West Godavari, although the upper strata received very large receipts from sale of crops and fodder, among the lower strata wages accounted for over 50 per cent of the total cash receipts compared to about 20 per cent received from sale of crops and fodder.

15.26 All in all, it is a picture of a cultivating economy where, in a large number of districts, the cultivator is not in effect a farmer proper in the sense of deriving his income in the main from farming and being in a position to devote most of his attention to the business of farming, whether crop-raising or mixed farming. Ordinarily, he has necessarily to earn his living in part—for the large majority an important part—from other activities. These activities, chiefly in the nature of wage employment, may be possible either near his home or can be pursued only much farther away. In the latter case, individual members of the families have to seek their living away from their farms and partially support their families at home through remittances.

15.27 Seasonality of cash farm expenses is a function of the agricultural seasons and the types of crops grown by the cultivators. The seasonality of cash receipts is a function of the maturity of agricultural produce and its availability for sale. Farmers in regions where only a single and a short season of cultivation is possible will have a highly seasonal incidence of both expenditure and receipts. Among receipts, it is receipts of farm business and more particularly receipts from sale of crops that are characterized by seasonality. Other cash receipts such as those from sale of milk and milk products and wages, except to the extent that they are derived from seasonal agricultural labour, are not equally seasonal. It may, therefore, be expected that total cash receipts, for example, of the lower strata who derive their incomes everywhere from a larger variety of sources, would exhibit less marked seasonality than the total cash receipts of the upper strata who depend much more largely on sale of crops as a source of cash receipts.

15.28 Lack of seasonality exhibited by total cash receipts may clearly be due, as for example in the districts of Rajasthan, to the non-importance, in the year, of receipts from sale of crops in total cash receipts. Seasonality in receipts due to the characteristics of agricultural production is most fully brought out when receipts from sale of crops and fodder are considered by themselves. Large differences in receipts in the two seasons are seen chiefly in areas where there is an obvious dependence on a single crop or season. In *rabi* areas which also usually grow some crops during the monsoon, seasonality in cash receipts is less marked than in the *kharif* areas. The extent of the difference in the two halves of the year in a *kharif* area is exemplified by the extreme case of Akola in which the receipts from sale of crops and fodder by the upper strata during the first half of the year (April to September 1951) was about Rs 60 per family compared to over Rs 2,140 per family during the second half of the year (October 1951 to March 1952). In *kharif* areas, seasonality was very marked in a few other districts also, such as Jhabua, Shajapur, Ahmedabad,

Nagpur, Parbhani and Nizamabad. The measure of concentration was not equally high in *rabi* areas. However, in the case of Raisen district which may be cited as an extreme example of seasonality in receipts in *rabi* areas, the receipts from sale of crops and fodder of the upper strata during April to September 1951 amounted to about Rs 525 per family, compared to about Rs 95 per family during the period October 1951 to March 1952.

15.29 In a large number of districts, for the upper strata there was a shortfall in total cash receipts from all sources during one season, even when compared with cash farm expenses alone excluding expenses of family living and capital expenditure. In most of these districts the shortfall was during the period April to September 1951. The regional composition of these districts is significant. Districts of Western Cotton region, North Deccan, South Deccan, East Coast and Central India, as well as Jaipur, Sawai Madhopur and Chittorgarh districts of Rajasthan, are all included in this category. This gives a regional distribution which is closely related to crop types, peculiarities of rainfall and irrigational facilities. The data relating to the lower strata are not equally illustrative of such seasonality because the total cash receipts among the lower strata depended very much on sources other than sale of crops and fodder. There was no marked seasonality in other cash receipts of either the upper or the lower strata. When the total cash receipts from sale of crops fall short of total cash farm expenses in both the seasons, the case cannot be considered as one of seasonality; rather, it is indicative of a generally low level of receipts from sale of crops. This may occur in districts where there was a failure of crops during the year, or where agriculture is largely carried on for production for home consumption, as appears to be the case in some districts of Rajasthan. There are some districts of Uttar Pradesh also, such as Sultanpur, Jaunpur and Ballia, where cultivators had to depend materially on incomes from cash wages and remittances, in which such a phenomenon occurred.

15.30 The object of the Survey was not to prepare farm business accounts for individual farms and crops. It was mainly directed towards collection of information regarding the size, occasions, sources and timing of expenditure and receipts. However, we collected some data on expenditure on particular crops. These are presented here to the extent that specific expenditure could be ascribed to the cost of cultivation of particular crops. This could be attempted for expenditure on seed, outlay on manure, wages paid to seasonal agricultural labour in cash and the disposals in kind at the time of harvest—mainly payments in kind to harvest labour and rent share to landlord or share to co-sharer; in respect of wages paid in kind other than at harvest and other expenses, a crop-wise allocation was not attempted. These data are obviously incomplete for a study of costs of cultivation of individual crops. They are, however, of some interest as they show broad variations in the levels of some costs between different crops grown in different regions, and the range of variations in costs for the same crop from district to district and from strata to strata, within the same region. Especially in view of the small extent of general information available on this subject in India, the data may be of particular interest.

15.31 Cultivation of rice is undertaken on a fairly wide scale in only some parts of the country. These include Assam-Bengal, Bihar-Bengal, Orissa and East Madhya Pradesh and Eastern Uttar Pradesh regions. The coastal areas of Peninsular India constitute also an important region of rice cultivation. Analysis of the data is confined only to the selected districts of these regions. The level of expenditure in the districts of Orissa and East Madhya Pradesh and Eastern Uttar Pradesh regions was less than that in all the other rice-growing areas, probably on account of the broadcast method of rice cultivation practised in many of the districts of these areas as against the transplantation method followed in other areas. A marked difference in the level of expenses is also to be found between all the eastern regions as a group on the one hand and the coastal districts of Peninsular India on the other. In the eastern regions, among both the groups of cultivators, the expenses were generally about Rs 65 or less per acre. On the other hand, in the coastal areas the lowest level was about Rs 75 per acre and exceeded Rs 150 per acre in the West Coast districts. The value of gross produce generally exceeded the cultivation expenses on the items considered here. The level of gross produce in the coastal areas did not exceed that in the eastern regions to any marked extent, even though the level of expenses in the coastal areas was much higher.

15.32 There was not much difference between the per acre total expenditures incurred by cultivators of the upper and the lower strata within any region ; there was also no marked difference within the same region in the pattern of expenditure between the two strata except in respect of one or two items. It was mainly in the expenditure in kind at the time of harvest, in the form of disposals as rent, wages to labourers employed in harvesting, etc., that differences arose. Even here, notable differences were reported only in a few districts.

15.33 The main wheat-growing areas of the country are the Punjab, Western Uttar Pradesh and parts of Central India. There are other areas in which cultivation of wheat is fairly important, as for example some of the cotton-growing districts of Western India and some of the Deccan districts. Wheat is also grown in some of the Eastern Uttar Pradesh districts as well as in some parts of Rajasthan.

15.34 In the relatively less developed districts of Central India, the expenditure in both the strata was about Rs 40 per acre. Generally, expenditure on seed in these districts was higher than in the districts of Punjab-PEPSU and it was as high as that recorded in the districts of Western Uttar Pradesh. In the districts of Eastern Uttar Pradesh, the level of expenditure per acre was relatively high for both the upper and the lower strata. The high level of expenditure in this region was accompanied by a generally high value of gross produce at about Rs 200 or more per acre in both the strata. In the Rajasthan region wheat cultivation was reported in all districts except Churu; the level of expenditure was generally at about Rs 40 per acre for the upper and at about Rs 35 per acre for the lower strata. In some districts in the Western Cotton region, such as West Khandesh, Akola, Nagpur and Parbhani, the general level of expenditure on wheat cultivation was lower than that in the districts of Central and Northern India. The value of gross produce was also

relatively low. The lowest levels of expenditure and returns were, however, reported in Osmanabad and Bijapur districts of North Deccan.

15.35 Cotton-growing areas are concentrated in certain parts of Western India but elsewhere they are scattered in several regions. Apart from Akola, Parbhani, Broach, Ahmedabad, West Khandesh and Nagpur, which are in the Western Cotton region, there are eight districts in which the area reported under cotton cultivation was fairly large. These are Shajapur, Chittorgarh, Hissar, Bhatinda, Bijapur, Osmanabad, Coimbatore and Ramanathapuram.

15.36 Of the districts in the Western Cotton region, the level of expenditure varied from Rs 20 to Rs 30 per acre in West Khandesh, Nagpur and Parbhani, and was less than Rs 20 per acre in the Gujerat districts. In Akola, the expenses per acre exceeded Rs 30, mostly due to high cash wages incurred by the upper strata cultivators. Cash wages formed the most important item in West Khandesh and Nagpur. Expenditure on seed was about Rs 5 per acre in West Khandesh and about Rs 3 per acre in the other districts. Among the other districts where cotton is cultivated, the level of expenditure was lowest in Bijapur. In Hissar, Bhatinda, Chittorgarh and Coimbatore, the levels of expenditure far exceeded the levels reported in the districts of Western Cotton region; this is mostly due to higher expenditure on manure, especially in Chittorgarh, Bhatinda and Coimbatore, higher disposals in kind in Bhatinda and Hissar and higher cash wages in Coimbatore.

15.37 Differences in cultivation expenses between the upper and the lower strata were large only in a few of the districts. Cash wages, manure and disposals are the items which generally showed variations. The data on cultivation expenses do not yield any important conclusions mainly due to the limitations inherent in them. The variations in expenses between districts presumably reflect variations in climatic conditions, quality of crops grown, technical methods employed, etc. The variation between the two main strata of cultivators does not show any larger per acre expenses for the upper strata cultivators when overall expenses are considered. In individual items, larger expenses may be recorded for the upper or the lower strata cultivators depending on the nature of the region, type of crop cultivated, etc. For instance, cash wages were generally higher for the upper strata cultivators in wheat and rice-growing areas; on the other hand, the rent burden per acre was higher among the lower strata, while wage payments in kind were generally lower for the lower strata than for the upper strata.

15.38 In the statistical picture set out in this section, the main allowances to be made are twofold, namely, for a substantial underestimation of the value of gross produce reported, the degree of which may, however, vary from district to district or region to region, and for the underestimation owing to non-inclusion of non-farm business income among total cash receipts. The larger part of the income from non-farm business would accrue to cultivating families, especially to those of the higher deciles, in the form of cash and a much smaller part of it would be available in kind; the correction to be made for non-inclusion of non-farm income would thus

be mainly in the cash receipts data. A third defect in the statistical picture is the underestimation of cash receipts from sale of produce, which would be even greater than the underestimation in the value of gross produce. However, it is only in contexts in which special importance is attached to calculations of resources in cash that this underestimation of cash receipts becomes important.

15.39 It may, however, be claimed that, while the deficiencies noted above are important, the accounts framed on the basis of the data do not raise doubts regarding the general size and distribution of other data collected during the Survey. The whole of the expenditure data, after making an allowance for current consumption expenditure, and when taken together with the data on savings and investment, lead to results which are not inconsistent with the general statistical and other data available for the country at large or for particular areas.

16. CREDIT REQUIREMENTS AND CREDITWORTHINESS

16.1 The estimation of credit requirements of rural families presents a difficult problem which may be considered in two stages. Firstly, there is the problem of defining the concept of credit requirements and secondly, that of actually estimating from available data the credit requirements, as defined, of various types of families. According to one definition, credit requirements may connote nothing more than the requirements for credit of borrowers which were met through operations of the credit system and which were reflected in the records of business of, say, cultivators or non-cultivators. In this sense, the data collected by us regarding borrowing operations of cultivators and non-cultivators would form the basis of an estimation of credit requirements of the rural population. The term 'requirements' may, however, be interpreted more widely and may be taken to include requirements felt by cultivators or non-cultivators during the year, which the credit system was, however, not able to satisfy because of one reason or another. It is not possible to ascertain credit requirements in this sense merely from what happened during any year. There has to be, in this case, some frame of reference for estimating the credit requirements of the families. In the first instance, credit requirements must be judged in relation to the purposes of borrowing or the use to which the credit could be put. The determination of credit requirement would then depend on what purposes of borrowing were thought to be proper or legitimate and the extent of the requirement would be measured by the degree to which such credit could appropriately be utilized in the given directions. Presumably, the purposes would fall under two categories. Firstly, they would be related to the productive business of the cultivating or other rural family and would be considered appropriate or otherwise according as effective use of the credit could be made in the productive business for which the credit was required. Effective use in this context would ordinarily mean economic productive use so that over a period of time the productivity of the business would be increased by the use of credit in such a manner that the credit could be liquidated through the receipts due to such increased productivity. This measure would give not only a criterion for judging the directions in which production credit could be legitimately and profitably said to be required but also of the extent to which it was required. In judging the extent to which such credit was properly required, the terms and conditions of credit would, of course, be an extremely important consideration. The terms of repayment, the charge that was made for the credit, the security demanded for it, would all determine the profitable use of credit in various types of productive business. Thus credit requirement becomes related to the terms and conditions of credit and incidentally to the manner of operation of the credit system also.

16.2 In relation to requirements other than those for productive purposes, it is difficult to make a broad generalization or suggest an operative criterion of the type suggested in relation to production credit. The reference in this case can only

be to needs of family living. Family living or consumption credit is, however, not ordinarily directly related to repayment performance in the sense of either helping or increasing repayment ability. Therefore, requirement of consumption credit or family living credit could not be related to the particular use to which it was put but would have to be calculated as a whole against the total repaying capacity of the cultivating or rural family. Credit requirements will thus be defined and estimated separately for production and for consumption purpose.

16.3 A wider definition of credit requirement than that indicated above would be related to certain standards of performance or efficiency in production or of living in consumption. It may, for example, be held that for efficiently producing a given crop certain technical requirements had to be met, that is, a specific rate of input in given directions must be maintained for optimum use of land surface in the production of that crop. It may happen that cultivators producing that crop were not in fact undertaking this expenditure. It may also happen that even with easier terms and conditions of credit, some cultivators may find it not profitable to borrow fully for expenditure up to the increased extent required because of the small size of their cultivating unit or other reasons. These credit requirements, therefore, would not be considered proper requirements of credit according to the definition adopted by us above ; they may still be considered, from the technical production point of view, requirements if proper use of land resources had to be made. Similarly, credit requirements in certain directions for family living may be considered absolutely essential with an operative concept of an absolute minimum standard which everybody should have. However, the total resources of the family may be such that such credit requirements, if fulfilled, could not be repaid by the family in due course. According to our earlier approach, such credit requirements would, therefore, not be proper or legitimate requirements. One can thus have a concept of requirements of credit, not related to individual operations or economic positions, but related to technical considerations or to considerations of standards of living. In this sense, even a radical reorganization of the credit system would not necessarily lead to a complete satisfaction of the requirement for credit of all rural families.

16.4 The estimation of credit requirements, either in relation to the possibility of a reorganized system of credit or in relation to a certain standard of technical production or family living, presents certain difficult problems. The directions in which and the extent to which larger credit would be required by each business, if the system is reorganized, is difficult to estimate through any survey. It is also difficult to estimate requirements in relation to standards of technical production and of family living through a survey. This is particularly so because requirements based on such criteria are likely to be related to size of the business unit itself. It is obvious that given standards of technical efficiency may be associated with certain size of business. Therefore, in a region under similar conditions, where certain families report larger expenditures in certain directions than others, the difference would not necessarily give the additional credit requirements of the other families

from the standpoint of technical efficiency, unless it was also ascertained that the size of such expenditure could be sustained by production units which may be considerably smaller in size.

16.5 In view of the difficulty in estimating for each business unit the changed position of requirements after an appropriate reorganization of the credit system, information on the opinions of cultivators regarding requirements of credit by them, under terms and conditions which they considered possible to sustain for effective use, was obtained through a questionnaire in the intensive enquiry. The reported requirements according to this questionnaire, and the actual amounts of credit they used for productive purposes, as revealed by other aspects of the Survey data, are compared and discussed below.

16.6 In the intensive enquiry, the selected cultivating families were asked whether they required credit for certain specified items of capital investment in agriculture, and if so, what amounts they required for each item of investment. Although these items do not correspond exactly with those on which information about capital expenditure in agriculture by cultivating families was obtained, the two are comparable to a large extent. The main divergence occurs in the information sought on livestock, which, in the expenditure data, related to milk and draught animals and other livestock, whereas in the requirements questionnaire the information sought was restricted only to bullocks. Finance required for increasing the size of holding by tenancy was included only in the requirements questionnaire. Another item in the requirements data, on which perhaps only partial information was obtained in the expenditure data, relates to the cultivation of costly but more remunerative crops. The coverage in respect of information on purchase of land and on other capital investment in agriculture such as development of land, digging of wells and purchase of machinery was more or less identical in both the cases. For all these items, the amounts of reported credit requirements exceeded the amounts of expenditure actually incurred to a very large extent; the reported requirements were from two to six times larger than the actual expenditure on the different items among the upper strata and from three to twenty-seven times larger among the lower strata. If, therefore, a comparison is to be instituted between reported requirements and actual expenditure, it has to be, not as between the absolute amounts but as between the proportionate importance of the individual items in the two sets of data.

16.7 Examining the relative importance of the different items in the two sets of data, we find a remarkable similarity in the proportionate amounts of expenditure and requirements in respect of the items grouped under 'other capital investment in agriculture'. These items accounted for about half of the total for the upper strata and about a third of the total for the lower strata, in the case of both expenditure and requirements. In respect of purchase of land, which constituted for the country as a whole the most important requirement for which cultivators required credit, there is, however, material divergence; for the upper strata, land accounted for about 20 per cent of the total in the expenditure data and for about 30 per cent in the requirements data, while for the lower strata the corresponding percentages

were roughly 15 and 45. In the case of livestock, on the other hand, the proportion of the expenditure actually incurred was about two and a half times higher than the corresponding proportion in the requirements data.

16.8 The relative importance of the different items in both sets of data shows some variation between the regions. The emphasis on land in the requirements data was specially marked in all the regions of Northern and Eastern India except in the Central India and the Orissa and East Madhya Pradesh regions where only cultivators of the lower strata desired to invest proportionately larger amounts in land as compared to their actual expenditure. In the Western Cotton region and in some of the regions of the South, the proportionate requirements for purchase of land were less than the proportionate expenditures actually incurred. In the Eastern Uttar Pradesh and the Punjab-PEPSU regions, the importance of livestock in the requirements data was much less than that in the expenditure data. Notwithstanding the difference in coverage in the two sets of data, this might indicate that in regions such as the Punjab-PEPSU, where cultivators were already spending a large proportion of their total expenditure on livestock, they did not desire extensive additional credit for the purpose. Reported needs for purchase of livestock were not of much importance in the Western Cotton region and in the regions of the South ; in these regions other items of capital expenditure in agriculture assumed greater prominence in the general pattern of credit requirements, especially for cultivators of the upper strata.

16.9 The selected cultivating families were asked whether they experienced difficulty in obtaining credit for current farm operations and, if additional credit was made available, whether they would prefer to utilize the credit for seed, manure or intensive tillage. Replies to the first question showed a marked uniformity ; about two-thirds of the cultivating families in both the strata replied that they did experience difficulty in obtaining such finance. In both the strata, the proportion of cultivating families who reported that they experienced difficulties was somewhat higher in the West Coast and the South Deccan regions and somewhat lower in the North Deccan region, as compared to other regions. The replies to the second question indicated that a slightly larger proportion of the cultivators preferred to utilize credit, if available, on manuring and intensive tillage than on seed. The expenditure data show, however, that a larger proportion of the expenditure was incurred on seed than on manure. This may indicate that requirements for seeds, having higher priority, were satisfied to a larger extent through utilization of owned resources and borrowings, leaving requirements for manure comparatively less satisfied.

16.10 The cultivating families were also asked the rate of interest at which they required credit, the period for which they required it and the security they had to offer for it. The replies indicate considerable divergence between the rates at which they required credit and the rates at which they were actually getting credit. In transactions actually recorded, the loans were mostly reported as having been contracted at an interest rate of 5 per cent or above, whereas a large proportion

of the cultivators desired to have their requirements satisfied at the rate of 5 per cent or less.

16.11 The majority of the replies indicated that loans were required for a period of two to five years or for periods exceeding five years. We have no data on the periods for which loans were actually contracted. In regard to the security, about 50 per cent of the cultivating families said that they were prepared to offer immovable property as security; of the rest, about one-fourth indicated personal security as the basis of their credit requirements; most of the remaining families did not specify the type of security they had to offer. Of the total number of loans actually borrowed by cultivating families, those based on personal security formed the overwhelming majority.

16.12 It would be of interest in this connexion to compare the amounts of loans reported to be required by cultivators with the value of the assets, in particular the immovable property, owned by them. Value of land and buildings owned by cultivators of the upper strata exceeded Rs 7,000 per family and of those owned by cultivators of the lower strata was nearly Rs 2,000 per family. The overall reported credit requirements which amounted to about Rs 1,300 per family and about Rs 800 per family respectively for cultivators of the upper and the lower strata appear to be within the limits set by the value of immovable property owned by them.

16.13 Consideration of credit requirements is closely related to the concept of creditworthiness also. The creditworthiness and credit requirement criteria are obviously closely related to each other, and creditworthiness may be defined in the three stages in which we have defined credit requirements. Firstly, there is creditworthiness in relation to the operation of the existing system of credit which is reflected in the fact that credit was obtained and that the existing agencies considered a person or a family creditworthy in given directions for given amounts on certain terms and conditions. Creditworthiness can be defined also, following the credit requirement definition, in relation to a reorganized system of credit in which, because of the easier terms and conditions on which credit is made available, persons may be deemed creditworthy who are not deemed creditworthy in the operation of the present system. Finally, there would be cases of non-creditworthiness even if the credit system was reorganized. These would correspond to our third approach to the definition of credit requirements. This would be where credit is technically required for productive business or should be made available for family living, but which, in given circumstances of the size etc. of the production unit and the total economic resources or operations of the rural family, could not be made available even with a reorganized credit system to the rural family in its existing condition. It is possibly in the last sense that the Agricultural Finance Sub-Committee more particularly used the concept of non-creditworthiness.

16.14 It is obvious that, like the concept of the population surplus in agriculture, the concept of a non-creditworthy farmer, though very useful for clarifying certain notions, is not easy to express in concrete terms. All kinds of farmers operating under

varying conditions and belonging to different strata have access to some source or sources of credit up to varying limits and on conditions and terms which differ greatly. All are, in fact, operating with certain adjustments within the existing system of credit. Even with the optimum possible reorganization of the credit system, it is to be expected that the benefits of reorganization will accrue in different measures to different strata. For some, reorganization may solve all their problems of production and consumption credit ; for others, it may solve only one aspect or another or only parts of them. The total solution of the problems of many classes of farmers may not be found within the limits of their existing circumstances by any measure of reorganization. Thus, the statement that unless a process of rehabilitation takes place many farmers could not be made creditworthy merely indicates that within the given system of agricultural credit the total presumed needs of these could be satisfied only when their farming business was of a certain size or of a certain degree of efficiency. It is obvious that the translation of such a concept, in terms of concrete size units or degrees of efficiency, is extremely difficult.

16.15 Moreover, one cannot imagine a system operating for only one set of farmers defined as creditworthy and not operating at all for the others who are defined as non-creditworthy. The best approach, therefore, to the problem of adapting the working of the agricultural credit system to the requirements of creditworthiness is to build up the system as providing, in sections, for different kinds of needs or loans for different purposes and periods with appropriate credit criteria and measures. With such an approach the credit anyone is able to obtain will be measured separately in each sector in relation to the criteria appropriate for that sector. Credit obtained from different sectors may or may not come up to the total requirements of an individual and the working of the total system may leave him with requirements unsatisfied in some degree, as a whole or in specific directions.

16.16 It is obvious that there is some danger in such partial definition and measurement of creditworthiness particularly if it leaves out of account any important aspects or neglects the evaluation of the total situation. The purpose of borrowing or the occasion of borrowing merely reflects in part the whole situation and cannot sharply be distinguished from it. Therefore, if our definitions of borrowing needs or lending possibilities are all made partially and in terms of single sets of purposes, how will the total evaluation be made ? The only way out of this difficulty is to conceive of all particular definitions or arrangements as parts of one integrated system, operated singly. In the highly complex economy of modern commercialized agriculture, the system of a single creditor, especially a single institutional creditor, may not provide for all situations. But, if a single creditor or credit institution does not prove adequate or practicable, the need for bringing together all parts of a system or any variety of institutions that are devised for meeting particular aspects of needs must be emphasized and it must be ensured that however independent the institutions they will work together in the system as a whole.

16.17 Such an approach will not meet the needs of those who lack generally or in particular directions the ability to satisfy the criteria for credit laid down in the system. A credit system built up in the manner outlined above would function fairly adequately in respect chiefly of classes with certain minimum size of business and assets; for others it could only partially fulfil credit needs. For all such, reorganization of the credit system alone would not be of any avail. Only an effort at reconstruction or rehabilitation would put these in a position to benefit from the reorganized credit structure.

17. SHIFTS IN INCOME AND FLOW OF FUNDS

17.1 The data required to establish trends in shifts in income must cover a series of years. An examination of operations during one year could not, at the very best, be expected to give clear indications of such shifts. However, within the class of cultivators or within the entire rural sector of the population, one aspect of shifts in income may be reflected in an improvement or deterioration in the holdings of certain types of assets. The detailed examination of purchase and sale statistics relating to land in the various districts has shown that cultivators as a class had increased their land holdings and that, in part, this was accompanied by a decrease in holdings of non-cultivators in the rural areas. The data, however, do not generally indicate any distinct transfer of land between one group of cultivators and another; they rather point to a situation in which the lower deciles held their own while the upper deciles added a little to their holdings.

17.2 The major portion of net purchase of land rights by cultivators would appear to have been from persons outside the rural areas. In some States like Uttar Pradesh and Madhya Pradesh, land reform legislation may have had an important bearing on the acquisition of land rights by cultivators. It is clear, however, that significant acquisition of additional land by cultivators as a class took place all over the country. This trend is specially remarkable in view of the fact that the year covered by the Survey was not only not favourable to the cultivating class but may even be interpreted as a turning point in their general prosperity; the trend, therefore, must be taken to be the result of a continuing process that had been set in motion previously and was operating for some time before.

17.3 Another trend which also appears to have been operating for some time in the recent past is reflected in the remarkably low burden of real debt at the end of the Survey year compared to the thirties and the early forties. The lowering of the debt burden, it would appear, was the result of a dual process. The inflationary rise in prices of commodities changed the value of money and reduced the real burden of past debts incurred before the war-time inflationary spiral began. On the other hand, the rise in prices also appears to have created for some time a surplus in the rural economy which enabled cultivators to reduce the burden of past debts. The real burden of newly contracted debts also, under progressively higher prices, was much less than in the pre-war period.

17.4 In fact, the two movements of repayment of debt and net acquisition of land may be expected to have been operating side by side. Both the trends indicate that in the immediate past some resources had become available to the rural population, with the help of which they had been able to improve their relative position. Net repayment of debt perhaps began to operate earlier and its incidence, reflected in the reduced real burden of debt for all classes, was wider than that of net acquisition of land. The additional resources available to the rural families,

however, do not appear to have been so large as to have reduced vitally the dependence of rural areas for funds on urban areas; they were large enough only to begin the process of transfer by which rural resources such as land, ownership of which was vested in the hands of people outside the area, were acquired to some extent by the people within the rural area or by which debts due by them to others were to some extent scaled down.

17.5 The flow of funds between any classes or groups on current account may be studied in relation to the balance on account of factor payments, that is, payments in the form of wages, rent, etc. The flow of funds on capital account will be reflected chiefly in the borrowing and lending transactions during the year. Some information on payments and receipts of wages, rent and interest was elicited from the selected cultivating families included in the intensive enquiry. On the payments side, in relation to wages paid by cultivators, it may be safe to assume that the recipients were mostly rural residents, although to what extent they were cultivators or non-cultivators would not be clear from our data. The flow of funds from rural to urban areas on account of wage payments would presumably be negligible. However, rent paid may flow either to rural or urban residents. Payment of interest by rural families to residents in the urban areas would be a function of borrowings by rural families from such residents. Receipt of interest by cultivators would similarly be a function of their lendings to others. Lendings by cultivators to the urban sector may be expected to be small. On the receipts side, rent would, by definition, be received from cultivating families alone, assuming that the recorded receipts were confined to those of rent from agricultural land. Receipt of rent by cultivators from rural non-cultivators or from the urban sector is, therefore, not to be expected. A substantial proportion of wages may be received from the urban areas both by cultivators and non-cultivators. In certain districts remittances received, which would include wage-earning by members of rural families from urban areas, would be also large.

17.6 Since all payment of rent is by definition made by cultivators alone, the gap between the payment and receipt of rent by cultivators would indicate the extent to which rent was paid to non-cultivators, either rural or urban. The difference between wages paid and wages received by cultivators would indicate whether cultivators were net recipients of wages or whether they paid out more in wages than their receipts. If they are net recipients of wages, this may presumably be due to wage employment in the urban areas rather than with rural non-cultivators. On the other hand, if payments made by them exceed their receipts, the payments would be mostly to the non-cultivating labourers within the rural area itself rather than to urban residents. There is little possibility of net payment of wages by the rural to the urban sector. On the other hand, the possibility of wage receipts from urban areas by residents of the rural areas always exists and would be particularly emphasized when cultivators are net recipients of wages. Flow of funds on account of payment and receipt of interest, which would indicate the balance of this factor payment on current account, would be small in relation to the balance

of capital transactions of which interest is a function. This aspect of the balance is, therefore, considered only in the capital account.

17·7 Information on capital transactions is available for both the cultivating and the non-cultivating families covered by the General Schedule. All physical capital investment expenditure incurred by the rural families may be considered to have been incurred mostly in the rural area itself, although some proportion of non-farm business and residential construction expenditure might conceivably be outside the rural area. Our information leaves out of account investment by the non-rural sector in the rural sector. No estimate of the magnitude of such investment can be made. Financial investments stand entirely in a different category. Except some part of funds invested by rural families in co-operative societies, other financial investments such as in postal savings, Government securities or deposits with institutional or private agencies, may be presumed to flow out of the rural area.

17·8 The analysis of the flow of funds between the rural and the urban sectors or between cultivators and non-cultivators in the rural area, on account of credit transactions, presents some difficulties. Data on borrowings by rural families are available according to the credit agency from which the funds were borrowed. However, information regarding the exact place of business of the lending agency was not insisted on, and the available information does not yield a classification between creditors in the rural and the urban areas. The difficulty is partly overcome by the information obtained on the dues of rural families. The data on dues clearly indicate that the upper deciles in general and the first decile in particular accounted for a very large proportion of the dues reported by cultivators, indicating thereby that a part of the funds required by the lower deciles or the non-cultivating class was obtained from members of the upper deciles. The data can also form the basis of an estimation of lendings by rural families on certain assumptions already indicated. A broad indication of the flow of loan funds from urban to rural areas may be given by the difference between total borrowings of the rural population and their estimated lendings which may be presumed to have been confined to residents in the rural area.

17·9 We may examine the data on wages and rent for indications regarding the balance of payments between various groups and classes, despite limitations set by the lack of information on the place of residence of the recipients of these factor payments and by the fact that they pertain only to cultivating families in the rural sector. There are certain other limitations also, inherent in these data. The data on receipts of these are confined to receipts in cash only. As a result, although the data on payments are available both in kind and cash, the analysis has to be confined to cash transactions only. Besides, the data on wages paid are not complete since they were collected mainly in the context of current farm expenditure. Wages paid in connexion with capital investment expenditure, farm or non-farm, and residential house construction are, therefore, not included in the data. In one of the items of wage-payments, namely, salaries to annual or permanent farm servants, no distinction between cash and kind payments was maintained, the entire amount

having been evaluated in cash. Before adding these to other cash wages, some allowance for payments in kind on this account would have to be made. Wages received by members of rural families, which the latter received in the form of remittances, are also not included in the data on wages received. Allowance on this account has also to be made.

17·10 On examining these data, it appears that the regional variations that the data show are of great interest. It is not possible to make a summary generalization for the whole country on the basis of these data. The data, however, amply illustrate different important types of conditions relating to the balance of factor payments, the variations in them and the basic conditions that appear to govern these variations.

17·11 Since by definition rent is paid only by cultivators, rent received by cultivators should not exceed rent paid by them. In exceptional cases such as the Punjab and Sorath district of Saurashtra, rent received, as recorded by us, exceeded significantly rent paid by cultivators. In Assam and Madhya Pradesh, the excess of rent received over rent paid was slight, so that in these two States, rent received and paid by cultivators may be considered to be identical. In Quilon district of Travancore-Cochin also the data indicate a general equality between rent received and paid. In all other States excluding Mysore where only receipt of rent was reported, rent paid by cultivators exceeded rent received by them, indicating leasing arrangements between non-cultivator landowners and cultivators. One of the most outstanding results revealed by the data is the proportionately greater extent to which rent was received by non-cultivating landowners in States in which the landlord system of tenure prevailed. In Bombay the proportion of rent received by cultivators to rent paid by them was about 55 per cent. In Orissa, Vindhya Pradesh, Madras and Tripura, it was between 40 and 50 per cent and in West Bengal, Hyderabad and Rajasthan, between 30 and 40 per cent; in Uttar Pradesh and Bihar, it was between 10 and 20 per cent and in Sirmoor district of Himachal Pradesh, PEPSU and Madhya Bharat, it was under 10 per cent.

17·12 The data on rent paid and received may be examined separately for the upper and the lower strata. In Assam and Travancore-Cochin, no rent was reported to have been received by cultivators in the lower strata. In these two States, rent paid did not exceed rent received by cultivators. The lower strata in these States, therefore, would appear to have taken land on lease entirely from members of the upper strata. In Uttar Pradesh the proportion of rent received to rent paid was about 50 per cent among the lower and about 6 per cent among the upper strata. The amount of rent received by the upper strata moreover constituted a small proportion—about 20 per cent—of the total rent paid by the lower strata. The overall proportion of rent received by all cultivators to rent paid by them was low in this State—about 17 per cent. It appears, therefore, that what little inter-cultivator leasing of land prevailed in the State was not primarily from the upper to the lower strata. It is notable that a large majority of the cultivators in the upper and the lower strata reported payment of rent in Uttar Pradesh; the

proportion of families who reported payment of rent in the State is the highest recorded, the next highest being that in Bihar.

17·13 The case of Bihar appears to be broadly similar to that of Uttar Pradesh. Here also the overall proportion of rent received by cultivators as a class to rent paid was low at about 15 per cent. However, in this State, unlike in Uttar Pradesh, whatever rent was received by cultivators was received by cultivators of the upper strata alone. There is the possibility here, therefore, of leasing arrangements existing between cultivators of the lower and the upper strata. In West Bengal also no rent was reported to have been received by cultivators in the lower strata. Here, however, the proportion of rent received by cultivators as a class to rent paid by them was much higher than in Bihar or Uttar Pradesh. In Rajasthan this proportion was about 30 per cent ; there was no marked variation in the proportion as between the upper and the lower strata, indicating the possibility of leasing arrangements existing between the upper and the lower strata, as also within each of the two strata. In Orissa, the proportion of rent received to rent paid, at nearly 50 per cent, was even higher than that in West Bengal or in Rajasthan, indicating a greater degree of leasing arrangements within the cultivator class in the State than in the other States discussed above. The proportion of rent received to rent paid in this State was substantial for each of the two groups of cultivators, as in Rajasthan.

17·14 In States like Bombay, Madras and Hyderabad, where the proportion of rent received to rent paid varied between 30 and 60 per cent for cultivators as a class, the upper strata would appear to have taken land on lease mostly from non-cultivators, whereas cultivators of the lower strata would appear to have taken land on lease to a substantial extent from cultivators themselves, either of the same class or from those of the upper strata. On the other hand, in States such as Uttar Pradesh and Bihar, where the proportion of rent received to paid was low for cultivators as a class, leasing arrangements between cultivators of both the groups and non-cultivators would appear to be emphasized.

17·15 The discussion below regarding wages is based on data relating to cash wages alone. Also, in calculating net balances, allowances for certain elements of omission etc. noted above have been made in the reported figures. The varying patterns revealed by the modified calculations are as follows. Cultivators in some States like Bihar and Uttar Pradesh were net recipients of wages, whereas in some others such as Madras and Hyderabad, cultivators as a class paid out more in wages than the sums they received. In States in which cultivators were net recipients of wages, a substantial proportion of wage receipts would most probably be from urban areas. Districts such as Agra, Sitapur, Sultanpur and Mirzapur in Uttar Pradesh, Palamau in Bihar and Puri in Orissa, in which wage receipts were much larger than wage payments, show unusually small amounts of remittances received—amounts which were particularly small, either in relation to the remittances received in the other districts of these States or in relation to the overall figures of remittances received in all the districts put together. Generally,

the villages selected from these districts are situated favourably from the standpoint of obtaining non-farm employment, being near centres of small or large-scale industry. The low level of reported remittances in these districts are also most probably indicative of the possibility of obtaining suitable farm or non-farm employment in the neighbourhood of the selected villages. In Uttar Pradesh, Bihar and Orissa, the proportion of families only receiving wages was high as compared to most States. All of these strongly indicate a net flow of funds from urban to rural areas on account of wages in these States. A relatively small proportion of families in Madras and Hyderabad compared to that in Uttar Pradesh and Bihar reported only receipt of wages, while a fairly large proportion reported both payment and receipt of wages. Remittances received in Madras and Hyderabad were small compared to the net payment of wages, and in Quilon district of Travancore-Cochin, although remittances were large, they did not alter the overall net payment position of cultivating families in respect of wages. Further, cultivators of the upper strata in these States reported large amounts of net payments per family, while cultivators of the lower strata reported net receipts on account of wages. In these States the main flow of wage payments appears to be from cultivators of the upper deciles both to cultivators in the lower deciles and to non-cultivating labourers.

17·16 The above discussion gives a broad picture of the pattern of distribution of two important current factor payments as between the rural and the urban areas. The problem of determining the net flow of investment funds is beset with formidable difficulties, though the total estimation of amounts involved can be made much more firmly in this respect. The funds on capital account may perhaps be best studied through analysis of the source of borrowing of rural families. Data on total borrowings of rural families are available through the data collected in the Survey. The source of their borrowings is also available in terms of the credit agency from which the amounts were borrowed. The credit agencies specified are Government, co-operatives, commercial banks, landlords, traders and commission agents, professional moneylenders, relatives, agriculturist moneylenders and others.

17·17 A rough and ready attempt at presenting a picture of the flow of funds may be made by classifying each of the above agencies as rural or urban. Landlords were noted as a separate credit agency only in relation to lendings by them to their own tenants. Agriculturist moneylenders were defined as moneylenders whose chief source of income was agriculture. Funds borrowed from these two may, therefore, be considered to be rural in origin. In the case of co-operatives, on the basis of the extent of borrowings from central financing agencies and from Government in the working capital of primary agricultural credit societies, it may be assumed that roughly half the funds advanced bythem are rural in origin and the other half, urban. On the other hand, funds borrowed from Government, commercial banks and traders and commission agents may be considered to have been completely urban in origin. The main difficulty arises in classifying the origin of funds borrowed from professional moneylenders who were responsible, on an all-India basis, for about 44 per cent of the total

borrowings of rural families. On the basis of the General Schedule from which estimates of borrowings are derived, no distinction between urban and rural moneylenders is possible. In the intensive enquiry relating to the selected cultivating families, however, the place of business of professional moneylenders from whom loans were borrowed was asked for. Not all respondents gave this information. A division between urban and rural in the borrowings from professional moneylenders, as reported in the General Schedule, was made on the basis of the proportions of borrowings from urban and rural moneylenders as obtained in the intensive enquiry data. Borrowings from relatives and 'other' creditors, which accounted for about 16 per cent of the total borrowings of rural families, were omitted from consideration, as no indication as to the origin of these funds was available. On this basis, the shares of the rural and urban sectors in the borrowings of rural families appear to be of the order of 75 per cent and 25 per cent respectively.

17·18 The above is, however, a very rough method of estimation. More refined estimates can be obtained by making use of the estimates of lendings of the rural families. The data on dues of cultivators and non-cultivators can form the basis of an estimation of lendings of cultivators and non-cultivators in the rural area. The sum of the estimated lendings of cultivators and non-cultivators may be taken to represent their borrowings from the rural sector itself, from the private credit agencies, namely, agriculturist moneylenders, professional moneylenders, landlords and relatives, belonging to the rural area. The corresponding figure of borrowings from private credit agencies in the urban sector may be obtained by deducting the borrowings arrived at in the above manner from the total borrowings from these four credit agencies. Borrowings from commercial banks and traders may be taken entirely as originating in the urban sector, and those from co-operatives, in about equal proportions in the urban and the rural sectors. The lendings of cultivators were estimated by assuming that the ratio of the outstanding dues of cultivators to the lendings made by them during the year is the same as the ratio of the debt outstanding to agriculturist moneylenders to the borrowings from this agency; similarly, by assuming that dues of non-cultivators held to their lendings the same ratio that outstanding debt owed to professional moneylenders held to borrowings from them, the lendings of non-cultivators have been estimated. The division of borrowings from the urban and the rural areas, on this basis, shows that roughly 70 per cent of the total borrowings of rural families was from the urban sector and the balance from the rural sector.

17·19 An additional refinement can now be introduced by making use of the data collected in the intensive enquiry regarding the place of residence of professional moneylenders. On the basis of this information along with the data on dues, an estimate of borrowings by cultivators from rural credit agencies can be arrived at. Lendings of non-cultivators to cultivators can be considered to be the same as the borrowings by cultivators from rural professional moneylenders, assuming that this was the chief credit agency among non-cultivators. From the dues of cultivators an estimate of their lendings to other cultivators can also be calculated, making necessary

adjustments for the lendings by cultivators to non-cultivators. The sum of the borrowings by cultivators from rural professional moneylenders and from cultivators themselves would thus give the extent of funds obtained by them from the rural sector. On the basis of these calculations, the shares of the rural and urban sectors in the borrowings of cultivators were found to be of the order of about two-fifths and three-fifths respectively.

17·20 In the above estimation it has been assumed that all professional moneylenders were non-cultivators. If, however, some of them were cultivators as well, the estimates of borrowings of cultivators from professional moneylenders as well as from cultivators themselves would include borrowings from such cultivator-cum-moneylenders. Cultivators whose dues exceeded Rs 2,000 were, for certain purposes, classified as professional moneylenders. The lendings of such cultivator-cum-moneylenders can be estimated separately. By deducting this estimate from the total lendings of rural professional moneylenders, we might get a better estimate of the lendings of rural non-cultivators among professional moneylenders. Using this estimate, the proportion of borrowings of cultivators originating in the rural and urban sectors works out to about one-third and two-thirds respectively.

17·21 It is clear that, with the exception of the first estimate based on a rough classification of credit agencies, the estimates give, as share of the urban sector, a percentage which exceeds 50. There does not appear to be any way of definitely estimating the total contribution of the rural area or of choosing between the various estimates framed, since each of the methods involves very large assumptions and is in the nature of a broad guess. All that may be said on the basis of these calculations is that roughly one-half to two-thirds of the total funds lent to the rural area were probably derived from the urban area and that only about a third to a half of such funds might have been rural in origin.

17·22 To this importation of borrowed funds in the rural areas must be added the importation of investment capital by owners of rural property or business residing in urban areas, which we are unable to estimate. On the other side, there is the capital investment including lending of funds by rural residents to persons or businesses in urban areas, which, however, may be considered to be negligible. The important point to be noticed in all these calculations is that, whether on current account or on capital account, even in the post-war period the countryside is seen to be requiring a large flow of funds from the urban area. The general position of the big cultivators, as revealed in our Survey, shows clearly the difference made to one class of cultivators by the events of the War and the post-war periods. It does not, however, appear, on the evidence of the Survey, that the change in the terms of trade between town and country has been so large that the rural area as a whole is anywhere near being able to dispense with its large dependence on funds from the urban area.

17·23 In the Survey, data were collected on several aspects of credit and other transactions through different schedules and questionnaires. Though these data

were collected in varying contexts and not with a view to preparing statements of annual accounts, an attempt is made at this stage to assess the results of putting them into an accounting frame. The details necessary to make the attempt are, of course, available only for the selected cultivating families covered by the intensive enquiry. The accounts are cast separately for the kind and for the cash transactions. Among the available data, the receipts side of the 'kind' account would be indicated by one single item, namely, the value of gross produce of crops including fodder. From this, the value of produce sold, disbursements in kind and owned seed used on the farm would have to be deducted for ascertaining net balance in kind. As may be expected, a net balance of resources in kind was reported in almost all districts ; this would represent mainly gross produce of the farm retained for own use.

17·24 The balance on cash account may be divided into two components, 'current' and 'capital'. The net investment-disinvestment position would indicate the balance on capital account. On the current account, cash receipts on the one hand and current farm and family expenditure on the other would provide the net balance. The outstanding feature of the balance on cash account was its negative value for both the upper and the lower strata in a majority of the districts.

17·25 The Survey data, of course, have several limitations in that they are incomplete on both the kind and cash sides in several respects. An important limitation in casting balance of accounts in kind is the lack of information on farm-produced fodder consumed on the farm itself. On the cash side, information relating to the entire family expenditure except the expenditure on durable consumer goods and that in connexion with ceremonies, education, health, etc., was not obtained. On the other hand, cash receipts from non-farm business were also not ascertained. In the earlier discussion on investment and disinvestment, the incompleteness of data on capital account was noted. The main gaps on the disbursement side were purchase of bullion and ornaments and sums lent to others by rural families. On the receipts side, the enquiry did not take into account the receipt of sums received in repayment of loans. The change in the position of cash in hand and in inventories was also not recorded.

17·26 One of the major items in respect of which a considerable amount of under-reporting is likely to have occurred is the value of gross produce. The under-reporting in this case might have arisen because of procurement enforced in certain areas as a result of which the total quantity of produce may tend to be under-reported. For the same reason, the quantity of produce marketed may also tend to be under-reported. Finally, in the reported sale price of the quantity marketed, particularly in respect of commodities for which price controls prevailed, a further underestimation might have occurred. Even in respect of the quantity retained for home consumption, the valuation might have been made at the controlled rates rather than at the prices at which produce was actually sold.

17·27 There is no way of ascertaining the extent of this underestimation from the data collected through the Survey itself. The National Income Committee made

some estimates of the value of gross produce of different crops. These estimates are not fully comparable with the estimates made on the basis of the Rural Credit Survey data, as, among other things, they pertain to the years 1948-9 to 1950-1 whereas the Rural Credit Survey figures give estimates for the year 1951-2. A comparatively minor limitation in the comparison would probably arise out of the inclusion in the National Income Committee's estimates of certain elements of costs, such as those of processing, marketing and transportation in the valuation of gross produce, which were excluded from the Rural Credit Survey data. In the method of recording the value of livestock products, there was a fundamental difference between the data collected in the Survey and those considered by the National Income Committee; in the Survey, only cash receipts from the sale of livestock products were returned, whereas the total value of livestock products, whether sold or not, was estimated by the National Income Committee. With all these limitations on comparison, national estimates of agricultural production, calculated on the basis of the data on value of per acre production for different crops yielded by the returns in the Rural Credit Survey, give some significant results when compared with the National Income Committee data.

17·28 The comparison reveals the least measure of divergence between the two sets of figures in the foodgrains and pulses estimate. There is a marked divergence between the estimate of gross value of the major cash crops. Part of this would be due to the specially low prices of some of these crops during 1951-2 as compared with those in the preceding years. Partly, the divergence may be due to under-reporting or underestimation also. There is a very large gap in the domain of other crops. This is partly due to some of the considerations discussed above. It is also most probably due largely to the manner in which the data were collected by us. The concerned schedule provided a number of lines for recording detailed information regarding out-turn, disposals, gross value, etc., of each of the crops. The major crops were naturally all brought to mind and most of the output and values of major crops were accounted for. The other and minor crops would tend to be omitted from specific mention by the Investigators, and in their case either a lump sum estimate might be included in the report of the gross value of produce or even no such inclusion might be made. Milk and milk products and poultry and poultry products might also be similarly greatly undervalued. As pointed out above, instead of asking for all details of business, each of these items was covered merely by a single return under 'other' cash receipts.

17·29 The next important factor explaining the excess of cash expenditure over cash receipts is obviously the omission of non-farm business incomes from the receipts of cultivators. As against the underestimation, the major set off to be made is in respect of investments made in bullion and ornaments and lendings made by rural families during the year. The expenditure on purchase of bullion and ornaments, as explained, may not be put at a very high figure. On the other hand, the lendings by cultivators during the year must be considered to be very substantial. An estimation in their regard has been already made.

17·30 The total result of these considerations cannot be summed up in any quantitative figures. The main conclusion of the discussion is that it is not possible to present any social account tables on the basis of our data. The data are useful in many directions, especially for the limited purposes for which they were collected, but cannot be put to this additional use.

18. CREDIT AGENCIES

18·1 Information regarding the type of agency from which loans were borrowed during the year, or to which loans were outstanding at the end of the year, was collected for all rural families in the General Schedule and for a sample of cultivating families in the intensive enquiry. Information was also collected from each type of credit agency regarding its transactions and methods of operation. Using these two types of information, an attempt is made to assess the role of the various credit agencies which supply credit to the rural sector.

18·2 Borrowings of rural families were divided into nine classes according to the type of lending agency. All borrowings from Government, through various departments and under various schemes, were considered together in one class. Borrowings from different types of co-operative institutions, primary and central, credit and non-credit, were all treated as borrowings from co-operatives. A separate class was created for interest-free loans given to borrowers by their relatives; interest-bearing loans borrowed from relatives were put in the appropriate class of private agency to which the relative belonged, such as the agriculturist moneylender, the professional moneylender, etc. Loans from landlords were to be classified separately as from 'landlords' only when they were made by landlords to their own tenants. An agriculturist moneylender was defined as one whose major profession is agriculture and whose moneylending business is of comparatively minor importance. Borrowings from persons who are, in the main, traders, commission agents, etc., were put in a separate class referred to hereafter as 'traders'. The category of professional moneylenders includes those who earned a substantial part of their income from moneylending and could not be classified as agriculturist moneylenders. Borrowings from all banks, scheduled and non-scheduled, were classified as borrowings from commercial banks. A separate class 'others' was formed to include borrowings from agencies other than those mentioned above.

18·3 The average borrowing of a cultivating family during the year covered by the investigations using the General Schedule was Rs 210. Of this, about 3 per cent was borrowed from Government, 3 per cent from co-operatives, 14 per cent from relatives, 2 per cent from landlords, 25 per cent from agriculturist moneylenders, 45 per cent from professional moneylenders, 6 per cent from traders and slightly less than 1 per cent from commercial banks; the remaining represented the borrowings from other classes of creditors. The distribution of the borrowings of non-cultivators, which amounted to Rs 66 per family, according to the various credit agencies showed a slightly different pattern with proportionately less borrowings from Government, co-operatives and professional moneylenders, and more from landlords, traders and commercial banks. Borrowings from Government formed 1·5 per cent of the total borrowings of non-cultivating families; an equal proportion of their borrowings was from co-operatives. Borrowings from professional moneylenders accounted for about 38 per cent, those from landlords for about 5 per cent

and those from traders for about 10 per cent of the total borrowings of non-cultivators. About 2 per cent of their borrowings was from commercial banks. The proportionate borrowings of non-cultivators from relatives and agriculturist moneylenders were roughly of the same order as in the case of cultivators.

18·4 The creditor-wise distributions of the outstanding debt of cultivators and non-cultivators were broadly similar in pattern. About 25 per cent of the outstanding debt of both cultivators and non-cultivators was recorded as due to agriculturist moneylenders, about 45 per cent to professional moneylenders and roughly 12 per cent to relatives. Slightly less than 4 per cent of the debt of cultivators was recorded as due to Government; the corresponding proportion in the case of non-cultivators was slightly less than 3 per cent. The debt owed to co-operatives and commercial banks together was slightly less than 4 per cent in the case of cultivators and about 2 per cent in the case of non-cultivators. The debt owed to landlords and traders by non-cultivators was proportionately higher than that owed by cultivators.

18·5 The borrowings from and the debt owed to the different credit agencies by the selected cultivating families included in the intensive enquiry were classified into eight broad categories with reference to purposes and periods of borrowing. These categories are short-term and long-term under each of the three purposes, namely, agricultural, non-agricultural and consumption purposes, repayment of old debts and 'other' purposes; long-term agricultural purposes have been taken to include medium-term agricultural purposes also. The data emphasize the very small part played by Government and co-operatives in rural finance. For all non-agricultural and consumption purposes, more than 95 per cent of the total borrowings was from private agencies. In short-term agricultural finance, co-operatives supplied about 11 per cent of the total borrowings; Government supplied about 6 per cent of the total borrowings for long-term agricultural purposes. About 9 per cent of the borrowings for repayment of debt was from co-operatives (including land mortgage banks). The data relating to outstanding debt also show a similar pattern. More than 95 per cent of the outstanding debt on loans borrowed for non-agricultural and consumption purposes was owed to agencies other than Government and co-operatives. About 10 per cent of the debt on loans borrowed for long-term agricultural purposes was owed to Government. Of the debt on account of short-term agricultural purposes, about 5 per cent was owed to Government and about 7 per cent to co-operatives.

18·6 The data relating to the distribution of the borrowings of the big, large, medium and the small cultivators, according to the different credit agencies, show that in the case of the big and the large cultivators relatively larger proportions of their total borrowings were from institutional agencies and that the dependence of the small cultivators on private agencies was relatively more than in the case of even the medium cultivators.

18·7 Borrowings from Government were reported by cultivating families in 67 out of the 75 districts. In 10 of these 67 districts, namely, Tripura, Hoshiarpur,

Shivpuri, Bhilsa, Sagar, Durg, Mirzapur, Chingleput, Poona and Ahmedabad, 10 per cent or more of the total borrowings of cultivating families was from Government. In 27 districts the proportion of borrowings from Government to the total borrowings formed more than 1 per cent but less than 10 per cent of the total borrowings of cultivating families. In the remaining districts less than 1 per cent of the total borrowings of cultivating families was from Government.

18·8 Borrowings from Government formed slightly over 40 per cent of the total borrowings of cultivating families in Tripura, about 15 per cent in the Punjab, 13 per cent in Madhya Pradesh, 9 per cent in Madhya Bharat and 6 per cent each in Assam and in Sorath district of Saurashtra. In all the other States, less than 5 per cent of the borrowings were from Government. Loans given under the schemes for the rehabilitation of displaced persons were large in the Punjab and Assam, while loans for land improvement and under the Grow More Food schemes were substantial in Madhya Pradesh and Madhya Bharat.

18·9 In six districts, namely, Tripura, Parbhani, Cachar, Sorath, Jalpaiguri and Hazaribagh, borrowings of non-cultivating families from Government formed more than 10 per cent of their total borrowings. In many of these districts, the average borrowing from Government per borrowing non-cultivating family was very high; this would indicate that many of the non-cultivating families who reported borrowings from Government were probably non-cultivating landlords, traders, moneylenders or others who were in a superior economic position.

18·10 Though in 62 of the selected districts varying amounts were reported to have been borrowed during the year from co-operatives by cultivating families, in only 12 districts, of which 7 are in Bombay, did the borrowings from this agency constitute more than 5 per cent of their total borrowings. In 24 districts, the proportion of borrowings from co-operatives to the total borrowings of cultivating families was between 1 and 5 per cent. The amount borrowed by cultivating families from co-operatives expressed as proportion of their total borrowings from all agencies was about 16 per cent in Bombay, 4 per cent in the Punjab, 3 per cent in Madhya Pradesh and 2 per cent each in Madras and Uttar Pradesh.

18·11 In nine districts, more than 5 per cent of the total borrowings of non-cultivating families was from co-operatives; these are Broach, Deoria, Poona, Kolhapur, Hoshiarpur, Jullundur, Ahmedabad, Ratnagiri and Nagpur. In 11 districts, about 1 to 5 per cent of the total borrowings of non-cultivating families was from co-operatives; in 26 districts, the amount borrowed from co-operatives was less than 1 per cent of the total borrowings, while in 29 districts no borrowing from co-operatives was reported. In many districts the average borrowing from co-operatives per borrowing non-cultivating family was fairly large, while the proportion of non-cultivating families borrowing from co-operatives was relatively very small; this would indicate that the non-cultivating families who borrowed from co-operatives generally held a superior economic status as compared to the average non-cultivating family.

18·12 Borrowings from relatives were reported by cultivating families in all the 75 districts. In about a third of the districts more than 20 per cent of their total borrowings was from relatives. The proportion of borrowings of cultivators from relatives exceeded 50 per cent in five districts, namely, Sitapur, Kamrup, Cachar, Jullundur and Hoshiarpur. In Assam, the borrowings of cultivating families from relatives formed about two-thirds of their total borrowings from all agencies. In the Punjab, relatives accounted for about 47 per cent of the total borrowings of cultivators. In West Bengal and Bombay also, borrowings from relatives formed fairly large proportions of the total borrowings of cultivators. More than 50 per cent of the total borrowings of non-cultivating families was from relatives in 7 districts, while in 17 districts the proportion of borrowings from relatives ranged from 20 to 50 per cent.

18·13 Though borrowings of cultivators from landlords were reported in over four-fifths of the selected districts, in only five districts did their borrowings from this agency exceed 10 per cent of their total borrowings from all agencies. Due to variations in the tenancy arrangements in different areas, it is not unlikely that the definition of the private agency 'landlord', so as to classify only borrowings from landlords by their own tenants as borrowings from 'landlords', was not completely adhered to. The difficulty of correctly distinguishing between the tenant and the labourer—so called—paid by the crop share or other similar terms, and consequent inclusion of some of the tenants in the non-cultivators' group, was another factor. Borrowings from landlords reported by such persons may have been classed as from 'landlords' by the Investigators and this probably accounts for the entries of borrowings of non-cultivators from 'landlords'.

18·14 Borrowings from agriculturist moneylenders were reported by cultivating families in 55 districts ; in 13 districts, borrowings from agriculturist moneylenders accounted for more than 50 per cent of their total borrowings. In 22 districts less than 10 per cent of the borrowings of cultivators was from this agency. In many districts where agriculturist moneylenders were important, the role of professional moneylenders was unimportant. Borrowings of cultivating families from agriculturist moneylenders exceeded 50 per cent of their total borrowings in Mysore, PEPSU and Madras and formed about 45 per cent of the total in Vindhya Pradesh. In 12 districts more than half the total borrowings of non-cultivating families was from this agency ; in 42 districts, borrowings of non-cultivating families from agriculturist moneylenders were either nil or less than 10 per cent of their total borrowings.

18·15 In 33 districts more than half the total borrowings of cultivating families was from professional moneylenders. In 19 districts the proportion of their borrowings from this agency was between 25 and 50 per cent ; in 11 districts the proportion was between 10 and 25 per cent and in the remaining districts it was less than 10 per cent. In about one-eighth of the districts, more than 85 per cent of the total borrowings of cultivating families was from professional

moneylenders. In a number of districts professional moneylenders were relatively less important. In several of these districts the major portion of credit obtained by cultivating families was from agriculturist moneylenders, while in some districts such as Meerut, Nizamabad, Ahmedabad and Sirmoor, the major portion was supplied by two or more of the other private credit agencies; in some other districts such as Cachar, Kamrup, Hoshiarpur, Jullundur and Sitapur, the major portion was supplied by relatives. Of the other districts, Government supplied about 40 per cent in Tripura, while landlords accounted for the major portion in Raisen and Jalpaiguri; in Broach, West Khandesh and Poona, co-operatives together with traders and relatives accounted for the major portion. In Quilon and Malabar, traders accounted for a sizeable proportion of the total credit supplied, and in Sultanpur, relatives and 'others' together supplied the major portion.

18·16 In Rajasthan, Orissa, Madhya Bharat and Bihar, more than three-fourths of the total borrowings of cultivating families were from professional moneylenders. In Assam, Mysore and PEPSU, only less than a fifth of the total borrowings of cultivating families was from professional moneylenders.

18·17 In over two-fifths of the districts, more than 50 per cent of the total borrowings of non-cultivating families was from professional moneylenders. The proportion of the borrowings of non-cultivating families from the agency was 90 per cent or more in Jaipur, Sawai Madhopur, Shivpuri, Chittorgarh, Palamau, Koraput, Sirohi and Agra.

18·18 Borrowings of cultivating families from traders and commission agents constituted more than 10 per cent of their total borrowings in 11 of the selected districts. The proportion of borrowings of cultivating families from the agency was more than 50 per cent in Malabar and between 10 and 30 per cent in Quilon, Nizamabad, Parbhani, Ahmedabad, Meerut, Broach, Hassan, Nagpur, Mirzapur and Sorath; the proportion was between 3 and 10 per cent in about a fifth of the districts. Among States, the proportion was roughly 15 per cent in Madras and about 10 per cent in Bombay and Hyderabad. In Quilon, roughly half the total borrowings of non-cultivating families was accounted for by traders. In Malabar, the amount borrowed by non-cultivating families from this credit agency was about 60 per cent of their total borrowings. In 17 districts, 10 to 50 per cent of the amount borrowed by non-cultivating families was from this agency, while such borrowings accounted for less than 5 per cent of the total in 27 districts.

18·19 Borrowings from commercial banks were reported by cultivating families in 31 out of the 75 districts selected for the Survey; in only three districts, viz., West Khandesh, Coimbatore and Quilon, more than 5 per cent of their total borrowings was from this agency. In 13 districts the corresponding proportion was between 1 and 5 per cent. The proportion was about 2·5 per cent each in Bombay and Madras.

18·20 Borrowings from commercial banks were reported by non-cultivating families in about one-fifth of the districts. In three districts, namely, West Godavari, Coimbatore and Chingleput, the proportion of borrowings of non-cultivators from commercial banks exceeded 5 per cent of their total borrowings. The proportion was slightly over 3 per cent in Hassan and between 2 and 3 per cent in Quilon and Sirohi ; in the other districts it was less than 2 per cent.

19. GOVERNMENT FINANCE

19·1 Until the advent of the Grow More Food campaign, loans by State Governments to agriculturists were given chiefly under the Land Improvement Loans Act, 1883, and the Agriculturists' Loans Act, 1884. The rules governing the issue of loans under the two Acts are framed by individual States, and vary to some extent from State to State. Under the Land Improvement Loans Act, loans can be given for effecting any improvement in land, 'improvement' being defined as any work which adds to the letting value of land. The Agriculturists' Loans Act enables Government to give loans for relief of distress, purchase of seed or cattle, or for any other purposes not specified in the Land Improvement Loans Act but connected with agriculture.

19·2 Powers to sanction loans within specified limits are delegated to Officers of different grades. The procedure for submitting applications and subsequent scrutiny requires the application to pass through a number of offices before it is finally sanctioned. Various types of securities are accepted by Government; the most preferred type is immovable property—mostly transferable rights in land; personal security or guarantee by third party is also accepted. Where a body of at least five co-villagers bind themselves jointly and severally (joint bond security) for the repayment of the loan, their personal security, subject to certain conditions, is deemed sufficient in some States. On completion of the required documents and other formalities, loans are disbursed in one or more instalments depending on the purpose and the amount of the loan. In case of distress due to drought, flood or other calamities, special rules for facilitating speedier disbursement of loans under the Agriculturists' Loans Act have been framed. Rules framed under the Land Improvement Loans Act, as for instance in West Bengal, require the Collector to make provision for the inspection, from time to time, of all works financed by the loans granted under the Act.

19·3 In some States, especially Part B States, the structure and working of Government finance is not governed by the Land Improvement and Agriculturists' Loans Acts. In Mysore, for instance, loans are advanced to agriculturists by Government under the Mysore Land Improvement Loans Act, 1890, and under Section 194 of the Mysore Land Revenue Code; the provisions of these are, however, generally comparable to those of the Land Improvement Loans Act and the Agriculturists' Loans Act. In Rajasthan, the State Government adopted *taccavi* rules in February 1950. Loans are divided, according to these rules, into two classes; Class I loans are generally analogous to the loans under the Land Improvement Loans Act and Class II loans to those under the Agriculturists' Loans Act. In Travancore-Cochin, at the time of the Survey, the system of Government finance followed in the districts included under the two former States of Travancore and Cochin was not the same. In Travancore, the Travancore Credit Bank which was organized under the Travancore Credit Bank Regulation (1938) to take over, among other things, the

affairs and business of the former Travancore State Land Mortgage Bank, administered the loans ; the major part of the shares of this bank is held by Government. In Cochin, loans continued to be advanced under the provisions of the Cochin Agricultural Improvement Loans Act, 1093 (M.E.).

19·4 Some States found it necessary, even prior to the Grow More Food campaign, to make special provision for giving loans for particular purposes or financing particular schemes. This is exemplified by the Bihar and Orissa Natural Calamities Loans Act, 1934, the Madras Land Improvement and Agriculturists' Loans (Pumping Installation and Agricultural Machinery and Plant) Rules, 1933, and the Bombay Land Improvement Schemes Act, 1942.

19·5 Under the Grow More Food campaign, financial assistance to State Governments for approved schemes was given by the Government of India in the form of loans and grants. Loans were given for permanent schemes of a remunerative nature like minor irrigation and land improvement works. Subsidies were given for small private irrigation works and such other schemes and for seeds, manure, etc. It is difficult to ascertain precisely the amounts that were advanced by State Governments under the Grow More Food campaign.

19·6 An important aspect of Government finance in recent years has been that connected with the rehabilitation of displaced persons. Rehabilitation finance was of importance chiefly in the Punjab, West Bengal, Assam and PEPSU. The procedure for giving loans for rehabilitation of displaced persons varied from State to State. In some States, special Acts like the Assam Displaced Persons (Rehabilitation Loans) Act, 1951, and the United Provinces Refugees Rehabilitation (Loans) Act, 1948, were passed. Loans to displaced persons in PEPSU were governed by the detailed procedure laid down in the Financial Commissioner Standing Order No. 32 and PEPSU Refugees Rehabilitation (Loans and Grants) Ordinance No. XI of 2005 (*Samvat*).

19·7 From replies received from respondents to the General Questionnaire on Agricultural Credit, as well as on the basis of the notes prepared by the field staff, it would appear that in several States there is lack of proper co-ordination between different departments and agencies concerned in disbursing Government finance. In many States two or more departments are concerned with the administration of similar schemes. According to the replies of knowledgeable persons, existing arrangements lead to some overlapping and consequent duplication and financial waste. It is not possible to utilize the data of the Survey for judging the extent of lack of co-ordination or of overlapping or duplication.

19·8 Apart from the data obtained through the General Schedule and the intensive enquiry, information was collected directly from the Collectors' or Tahsildars' offices regarding the volume of Government finance extended in the district. A study of a sample of about 100 sanctioned and 20 rejected loan applications was also undertaken in each district, with a view to obtaining detailed information regarding loan operations. There are many limitations to any attempt to collate the

data obtained in the 'demand' schedules with those obtained from Government records. In the first instance, the period to which the different types of data relate is not the same. Further, in respect of data collected from the Collectors' offices it was not possible to get the data for the district as a whole in the case of some districts. In the case of loans granted under the schemes for rehabilitation of displaced persons, the authorities in some districts were not able to give separate figures of advances made to displaced persons in the rural areas. In some cases, the data supplied to our field staff were reported to be tentative.

19·9 Among the districts for which complete data regarding Government advances are available, the total volume of advances (loans and subsidies) ranged from Rs 5,000 in Sirmoor to about Rs 70 lakhs in West Godavari; the total number of loans sanctioned in the districts by various Government agencies varied from one in Sirmoor to about 20,000 in West Godavari. Advances under the schemes for the rehabilitation of displaced persons were large in several districts of West Bengal, the Punjab, PEPSU and Assam. The advances made under such schemes were particularly large in some of the districts of Assam and the Punjab.

19·10 Large amounts were reported to have been advanced in some districts during the year of the Survey, or in the years immediately preceding, to relieve distress due to calamities such as crop failure, cyclone, flood, earthquake, etc. Broach, Monghyr, Ramanathapuram, West Godavari, Jalpaiguri and Lakhimpur are examples of such districts. In a few districts Government had also advanced loans for digging and repairs of wells with a view to alleviating distress due to scarcity of water.

19.11 In the large majority of districts, the average borrowing of cultivating families from Government was less than Rs 10 per family according to the General Schedule. In a few districts, the average size of borrowing from Government per cultivating family was large; in Sagar and Bhilsa, where reclamation of land through tractor ploughing was encouraged, it was about Rs 120 and Rs 50 respectively; in Hoshiarpur, where rehabilitation finance was important, it was about Rs 90; in Tripura, where, in some villages, special efforts were made towards reclamation of land, it was about Rs 55. The number of cultivating families who borrowed from Government formed about 40 per cent of the total number of borrowing cultivating families in Sagar. The corresponding percentages were about 37 in Tripura, 34 in Mirzapur where scarcity conditions prevailed in 1949-50, about 31 in Bhagalpur and about 27 in Ahmedabad, Hazaribagh and Durg. The average debt owed to Government per cultivating family exceeded Rs 100 in three districts, namely, Sagar, Ahmedabad and Tripura.

19.12 Classifying the borrowings of rural families from Government, as reported in the General Schedule, according to the main purposes, it is seen that borrowings for capital expenditure on farm were reported in 61 districts, borrowings for current farm expenditure in 46 districts, for non-farm business expenditure in 14 districts and for family expenditure in 51 districts. Even though borrowings for capital

expenditure on farm were reported in the largest number of districts, borrowings from Government for this purpose constituted more than one-fourth of the total borrowings from all agencies for the purpose in only six districts.

19.13 According to the intensive enquiry, debt was reported to be due to Government in 48 districts. More than 20 per cent of the total outstanding debt incurred for short-term agricultural purposes was owed to Government in about one-tenth of the districts. Government played a relatively more important role so far as long-term agricultural credit was concerned; in ten districts more than 30 per cent of the total debt incurred for long-term agricultural purposes was owed to Government.

19·14 The distribution of Government finance amongst various classes of cultivators differed from State to State. In Assam and West Bengal, where rehabilitation finance was important, debt owed to Government by the medium and the small cultivators was proportionately larger than that owed by the large cultivators. In the Punjab, the small cultivators owed only a small proportion of their total debt to Government; the medium cultivators owed a proportionately larger share to Government as compared to the large cultivators. In other States, the debt owed to Government as proportion of the total outstanding debt was generally higher for the big and the large cultivators than for the medium and the small cultivators. In particular instances, as in Hyderabad and Madhya Bharat, the relative differences are specially striking. In the States in which rehabilitation finance or finance for relief of special distress during the year was important, Government finance appears to have been available, at least in as large a proportion to the lower deciles of cultivators as to the upper. However, in districts or States where these particular features were not evident, a larger proportion of the total finance required by the upper deciles appears to have been obtained by them from Government than was the case for the lower deciles. The position of non-cultivators in this regard, as in many others, corresponds to that of the small cultivators.

19·15 Government finance is usually advanced on security of immovable property. Barring States where the device of the joint bond is common, persons not owning land or not able to afford adequate security in terms of property may find it difficult to obtain loans from Government in the ordinary way. This might be one of the factors making it easier for the upper strata to borrow from Government. Another factor would be the purposes for which Government finance was available. Government finance is, in the main, available either in the case of special distress or under particular schemes of medium-term or long-term finance. In the latter case, Government finance is available only for a limited number of purposes, the more important among which are schemes of land improvement, well-digging, etc. We have already seen that the borrowings of cultivators of the upper deciles were proportionately larger for capital or current expenditure in relation to production than those of cultivators of the lower deciles. Consumption expenditure was a more important purpose of borrowing among the lower deciles than among the upper. Barring failures

of crops or other calamities, consumption loans are not ordinarily available under schemes of Government finance. Thus, in a normal year, the upper deciles would be more in a position to take advantage of schemes of Government finance than the lower deciles. Moreover, the upper deciles are likely to possess more assets of the type in relation to which loans for improvement are available from Government than the lower deciles. Finally, obtaining Government finance requires planned borrowing and also requires filling in of forms and approaches to Government officials which might be easier for members of the upper deciles than for those of the lower deciles. Apart from the difficulty of obtaining forms and making applications, which would be felt more among members of the lower deciles than among those of the upper, the ability to approach officials, travel to taluka or district headquarters and push forward an application would all be much greater in the case of the upper deciles than in the case of the lower. The disproportionate share taken by the upper deciles in Government finance must be explained as the result of a combination, in varying proportions, of all these factors in the different States.

19.16 Generally, non-cultivators owed to Government a smaller proportion of their total debt than any class of cultivators including the small cultivators. Notable exceptions to this rule are found in some States such as the Punjab, PEPSU and Assam. These may be explained by reference to the importance of rehabilitation finance in these States. Exceptional figures are found in a few districts in some other States also. For all the other States, the proportion of debt owed to Government by non-cultivators was much smaller than that owed by the small cultivators. A large proportion of non-cultivators consists of labourers and other classes, who are not engaged in productive activity on their own account, and cannot, therefore, borrow for productive purposes. Moreover, the average total assets of even producers among non-cultivators would be much lower than that of any class of cultivators; their production business would be usually smaller and consequently their ability to borrow from Government less than that of any class of cultivators. Also, the general legislative structure of Government finance as also most of the special schemes are devised for meeting productive and other requirements of agricultural business. In general, barring special cases such as those of rehabilitation finance, or particular types of non-farm business finance as that of artisan industry under special schemes, or conditions of distress during the particular year, non-cultivating families borrow less and owe less to Government than the cultivating families. In general, the position of non-cultivators *vis-a-vis* cultivators is similar to the position of the medium and the small cultivators *vis-a-vis* the large cultivators.

19.17 According to the data obtained from Government records through case study of loans, the average size of loans given by Government for purchase of seed varied from about Rs 10 in Lakhimpur and Churu to about Rs 180 in Durg. In many districts the average size of seed loans was less than Rs 50. In the majority of the districts, the major part of the amount was lent for a duration of less than one year. In the case of loans for purchase of manure, the range of variation

in size of loans was from about Rs 25 to about Rs 325. The average size of loans for purchase of livestock was more than Rs 800 in two districts of Uttar Pradesh, while it was less than Rs 150 in the districts of Orissa. The duration of loans for livestock purchase varied from district to district but a substantial proportion of the amount lent was given for duration of one to three years. The average size of loans for digging and repair of wells varied from about Rs 70 in Deoria to about Rs 2,660 in Hoshiarpur. In three districts, namely, Deoria, Kanpur and Chittorgarh, more than 30 per cent of the total advance for digging and repair of wells was for duration of less than one year, while in several other districts a major portion was for duration of three to five years. In certain districts of Uttar Pradesh, Rajasthan, Madhya Bharat and Hyderabad, and in all the districts of Bombay, these advances were mostly for more than five years' duration. The average size of loans for reclamation of land in the few districts in which loans for this purpose happened to be included in our case study, ranged from about Rs 750 to Rs 1,100. In most cases, loans for reclamation of land were of more than three years' duration. Loans for purchase of implements, machinery and transport equipment form a mixed class. The average size of loans in the class varied from about Rs 100 in Jaunpur to about Rs 7,100 in Bhatinda. Loans of comparatively long duration, especially three to five years, were common in most districts. The average size of loans for bunding and other land improvements ranged from about Rs 120 in Parbhani to about Rs 1,275 in Palamau. Loans of three to five years' duration appeared to be common in Uttar Pradesh, Madhya Pradesh and Vindhya Pradesh, while loans of longer duration were common in Madras and Bombay. Districts in which less than ten loans for a purpose happened to be included in our case study are not taken into consideration for discussion regarding the average size of loans for that purpose.

19.18 It is difficult to judge whether the loans given for different purposes were adequate or not in view of the large variations from district to district. In some States many selected cultivating families reported that the amount sanctioned was much smaller than the amount applied for. In Bombay about two-thirds of the upper strata cultivators and in Bihar about two-thirds of both the upper and the lower strata cultivators who got loans from Government reported that the amounts disbursed by Government constituted 26 to 50 per cent of the amounts they had applied for. In Madras on the other hand, about 80 per cent of the upper strata cultivators said that more than three-fourths of the amount applied for was disbursed by Government. For all the districts put together, about 8 per cent of the cultivating families who got loans said that the amount disbursed constituted 25 per cent or less of the amount applied for. The evidence is, however, not conclusive and the reported conditions may be due to either a possible tendency on the part of the cultivating families to inflate their demands while making the application or the tendency on the part of officials to follow a system of rationing in satisfying the needs of applicants. There is some direct evidence to show that limited financial allotments were responsible for rejection of a significant proportion of the rejected applications in some States.

19.19 According to the data collected through case studies, in most districts the largest proportion of the amount advanced by Government was against the security of immovable property. Of the 50 districts in which more than 50 per cent of the total amount was advanced against the security of immovable property, in 36 the proportion was more than 75 per cent. In Hyderabad, all the loans studied were reported to have been advanced against immovable property. The proportion of the amount advanced against immovable property to the total amount disbursed exceeded 75 per cent in Bombay, Vindhya Pradesh, Mysore, Madras, the Punjab and Madhya Pradesh. Amount advanced against personal security accounted for 35 to 45 per cent of the total in West Bengal, Himachal Pradesh and Orissa; in other States such advances accounted for less than 30 per cent of the total. Loans against joint bond security were given on a large scale in some States like Assam, West Bengal and Madhya Pradesh.

19.20 The rates of interest charged by Government varied from State to State and from scheme to scheme within States. An analysis of the data collected through case study of loans reveals that the proportion of the amount advanced interest-free to the total advance was more than 25 per cent in Bihar, Madhya Bharat and Madras. More than 90 per cent of the amount advanced was at rates varying from 3 to 5 per cent in the Punjab, PEPSU, Vindhya Pradesh and Bhopal. The amount advanced at rates of 5 to 6 per cent was more than 60 per cent of the total in Tripura, Saurashtra and Bombay, while in Hyderabad, Assam and Bihar, advances at $6\frac{1}{4}$ per cent interest-rate were predominant. In Madhya Pradesh, about 23 per cent of the amount was given at $7\frac{13}{16}$ per cent rate of interest.

19.21 An attempt was made by us to obtain information relating to the time-lag between the date of application and the date of disbursement of the loans. According to the information obtained by us from the case study of a sample of loans, more than 25 per cent of the loans were disbursed after a time-lag of three months in Mysore, Madras, Madhya Pradesh, Hyderabad, Bombay and Bhopal. According to the data obtained in the intensive enquiry, a large majority of the cultivating families of both the upper and the lower strata, who borrowed from Government, reported having obtained loans within three months of the date of application. Bombay, where a large proportion of the cultivating families obtained loans after a time-lag of three to five months, and Madras, where a significant proportion of the families of the upper strata reported having obtained loans more than five months after application, were exceptions.

19.22 According to the case study of loans, only a small proportion of the disbursed loans was disbursed in the village of residence of the applicant in most States. The proportion of loans so disbursed was more than 50 per cent in Assam; the proportion was less than 20 per cent in all other States except the Punjab, West Bengal and PEPSU. No statistical information could be collected as regards technical knowledge of the official agency and its ability to assess properly the feasibility of a scheme, as well as regarding complaints about corruption and bribery.

Several respondents to the General Questionnaire offered many adverse comments in these respects.

19.23 A common observation made by the respondents to our General Questionnaire was that Government machinery was strict about the recovery of loans and did not take into consideration the condition of the crop during the season. The data collected in the Survey indicate that in only very few districts extraordinary steps had been taken for recovery in respect of more than 10 per cent of the loans studied.

19.24 With a view to ascertaining, in particular, the reasons for which loan applications were rejected, an attempt was made to study cases of rejected applications. From the rejected applications studied, it appears that lack of adequate security or non-approval of the purpose of loan were usual reasons for rejection of loans in many States. Some applications were rejected on grounds that the applicants had not paid back old dues or that there was delay or irregularity in applying for the loan. In Rajasthan, about 22 per cent of the rejected loans were reported to have been rejected due to the failure on the part of the applicants to plead for the loan. This would probably be where the applicants failed to present themselves for personal enquiry as is required in some States. A significant fact revealed by the study is that the rejection of a fairly large proportion of the rejected applications was on account of the treasury quota of loan for the period having been exhausted; 20 per cent or more of the rejected applications in Uttar Pradesh, Rajasthan, Saurashtra and Hyderabad were rejected for this reason, while the corresponding proportion in Madhya Pradesh was about 18 per cent.

19.25 We have data regarding purposes of loans obtained from Government, collected on the 'demand' side from returns of borrowings by rural families and on the 'supply' side from records regarding loan transactions, maintained by Government authorities. It has been often alleged that the actual purposes for which loans taken from Government are used differ often from those set down in the applications for loans to Government. The discrepancy, if any, should appear from a comparison of the information obtained on the 'demand' side with that on the 'supply' side. However, the two sets of data collected by us refer to entirely different samples and usually relate to different periods; there are also other limitations to the comparison of the two sets of data. Therefore, any comparison that we institute between the two can have only limited validity. Suspicion of misutilization or misdirection may, in this case, be justified only when the discrepancy between the two sets of data is very marked.

19.26 Broad results may be obtained by confining the comparison to large classes. The most significant possible misutilization is in the direction of consumption expenditure instead of productive use. The two-fold classification made by us is, therefore, as between capital and current agricultural production purposes on the one hand and family consumption expenditure, non-farm business expenditure and other purposes, on the other. It is only when the proportions in these

two classes, as yielded by the 'demand' and 'supply' data, widely differ, that the variation between the two might be held to justify the suspicion that the families had utilized a significant proportion of their total borrowings from Government for purposes other than those stipulated by Government. The comparison would, of course, not be useful or justified in respect of districts where loans for rehabilitation of displaced persons or for relief of distress such as famine, flood, cyclone, etc., were important. Even bearing these limitations in mind, it is apparent that in some cases the proportions of borrowings for family and other purposes, according to the reports of the rural families, are very much larger than those according to Government records. In Bihar and Orissa, no amount or a negligible proportion of the total amount was recorded to have been given for family and other types of expenditure and yet relatively large proportions of the total borrowings were reported to have been borrowed for these purposes. The divergence is also noticeable in West Bengal.

19.27 The main conclusions which emerge from our study of the data can be stated as follows. Government finance is not available in a large measure to the rural population in most districts; also the available quantum of Government finance varies greatly from district to district. Government finance appears to be available chiefly in two sets of conditions. In the first instance, it is available when any emergency makes it necessary for Government to step in immediately with help, part of which is rendered in the shape of loans. Government lending in such instances is the result of Government operation for what may broadly be termed as 'relief of distress'. The 'distress' may itself be caused by a variety of factors. In all such cases, Government finance perforce plays a vital role and it is obvious that this role of Government cannot easily be taken over by any other agency.

19.28 Government finance also appears important as helping particular aspects of development to which Government policy of the day attaches weight. The best examples of recent years are the Grow More Food schemes. Under these schemes, loans largely for current agricultural production were given in order to bring about an increased supply of food in the country. Many other special schemes of Government finance also operated during recent years. A large number of schemes of land improvement, land reclamation, minor irrigation, well-digging or other 'improvement' of sources of supply of water, etc., were undertaken by particular States either as part of a general all-India policy or on their own initiative. Wherever such schemes were in operation and wherever they were operated with particular vigour, Government finance appeared to be important during the year. Government finance in such cases was the auxiliary of special aspects of active Government policy.

19.29 The working of Government finance even in these directions is usually limited by certain characteristics of Government finance. The operative agency of Government finance is ordinarily the Revenue Department or other departments of Government. Government finance, therefore, is affected to some extent by the

varying character of the initiative or drive of the agency in particular areas. Further, it appears to be affected also by such considerations as the extent of financial provision made by Government for particular years. Complaints of inadequacy of the provisions in this regard were substantiated by our study of rejected applications. Operating as it does through departmental agency, the Revenue and Agricultural Departments chiefly, Government finance is limited in its operation by the procedures for sanction, scrutiny, disbursement, etc., which are normal in departmental administration.

19.30 Finally, it is somewhat remarkable that the usual charges of bribery and complaints regarding corruption enhancing costs of obtaining finance are made almost exclusively against Government. Such charges can be made conceivably against the co-operative agency also. However, in the testimony before us, as in the general record elsewhere, this complaint regarding the special cost of obtaining finance is made only against Government and not in a general way against co-operatives.

20. CO-OPERATIVE FINANCE

20.1 The Co-operative Credit Societies Act, 1904 (Act X of 1904), was the first Act dealing with co-operative societies to be passed in India. The Act, however, had a limited scope and its application was restricted to primary co-operative credit societies. In 1912, the Government of India, with a view to enlarging the scope of this Act, passed the Co-operative Societies Act (Act II of 1912). The Act is still in force in a number of States.

20.2 The constitutional reforms of 1919, whereby Co-operation became a provincial subject, gave stimulus to the development of co-operative legislation in India. Many States found it necessary to enact independent co-operative legislation to meet the conditions of local co-operative development. Co-operative Societies Acts in different States may be said to correspond roughly to one or the other of the four major types, namely, (1) The Co-operative Societies Act, 1912, (2) The Bombay Co-operative Societies Act, 1925, (3) The Madras Co-operative Societies Act, 1932 and (4) The Bengal Co-operative Societies Act, 1940. This is only a broad classification and the Acts show many individual variations.

20.3 The basic unit in the short-term credit structure is the primary credit society at the village level. Initially, the activities of the primary society were confined only to credit operations. In recent years, attempts have been made in many States to develop multi-purpose societies. According to data collected by the Agricultural Credit Department of the Reserve Bank of India, there were more than 1 lakh primary agricultural credit societies in India as on 30 June 1952. In about 29 per cent of these, the liability of members was limited. It is also reported that there were 39,930 multi-purpose societies; all of these were, however, not undertaking agricultural credit functions. We do not know what proportion of agricultural credit societies were multi-purpose societies. About 61 per cent of the multi-purpose societies were in Uttar Pradesh. In addition to the primary agricultural credit societies, there were 9,085 grain banks in India as on 30 June 1952, of which 8,125 were in Hyderabad. According to available reports, the working of a large number of grain banks in Hyderabad was far from satisfactory.

20.4 The membership of primary agricultural credit societies (excluding grain banks) per 1,000 rural families, as on 30 June 1952, is estimated at 519 in Coorg, 210 in the Punjab, 180 in Ajmer, 175 in Bombay and 166 in Madras; in other States it was much smaller. Barring some small States, the Co-operative Movement could be stated to be relatively widespread in Bombay, Madras and the Punjab.

20.5 In most States, financing of primary agricultural credit societies is done by central banks or banking unions. In some States, e.g., Bombay, in the absence of a central bank in a district, the state co-operative bank operates through its branches as the central financing agency. While many districts of Bombay and Madras have

one central bank each, in many districts of States like West Bengal, Orissa and the Punjab, there are two or more central financing agencies for a district.

20.6 There were 16 state co-operative banks in the country in 1951-2 inclusive of the Provincial Co-operative Bank in Assam, which is not functioning at present. Under the Reserve Bank of India Act, the Reserve Bank is not empowered to finance agriculturists directly, but can provide finance to the Co-operative Movement through state co-operative banks. The accommodation given by the Reserve Bank of India to the state co-operative banks at the concessional rate of interest ($1\frac{1}{2}$ per cent) has increased considerably during recent years. In 1945-6 the total amount so advanced was Rs 1.25 lakhs ; in 1951-2 Rs 12.11 crores were advanced.

20.7 On 30 June 1951, there were primary land mortgage banks in ten States. Madras and Mysore account for the largest number of primary land mortgage banks as well as for the bulk of their membership. Central land mortgage banks were in operation in five States, namely, Madras, Bombay, Orissa, Mysore and Travancore-Cochin, as on 30 June 1951. In Madhya Pradesh, the State Co-operative Bank itself had a separate department entrusted with the work of land mortgage banking. In Madras, Bombay and Mysore, the central land mortgage banks acted as the financing institutions for the primaries. In Orissa and Travancore-Cochin, the central land mortgage banks were dealing directly with individuals ; the central land mortgage bank established in Saurashtra in September 1951 also deals directly with individuals.

20.8 According to the data collected by the Agricultural Credit Department of the Reserve Bank of India, there were 30,057 agricultural non-credit societies (excluding social services, housing and insurance societies) as on 30 June 1952. The total amount advanced by them during 1951-2 was about Rs 13 crores. As on 30 June 1952, there were 8,264 primary marketing societies; of these 6,487 were in Bihar, 339 in Bombay and 616 in Uttar Pradesh. The primary marketing societies advanced a sum of Rs 11.13 crores during 1951-2 and the value of goods sold during the year by these societies amounted to Rs 34.47 crores. More than 50 per cent of the total amount advanced as well as of the value of goods sold during the year by these societies was accounted for by the marketing societies in Bombay State.

20.9 The value of goods sold by 1,996 marketing unions and federations (including 112 sugar-cane unions in Uttar Pradesh) during 1951-2 was Rs 54·07 crores. In Uttar Pradesh, the value of goods sold by the marketing unions and federations during 1951-2 was Rs 46·15 crores of which the sugar-cane marketing unions accounted for Rs 30·97 crores.

20.10 The sugar-cane marketing unions of Uttar Pradesh, partly due to the fillip given by provisions of the special legislation, viz., the United Provinces Sugar Factories Control Act, 1938, and the recent Uttar Pradesh Sugarcane (Regulation of Supply and Purchase) Act, 1953, have been responsible for marketing a substantial proportion of sugar-cane produced by cultivators. A study of vertical and hori-

zontal inter-relationships between the various co-operatives in Uttar Pradesh indicates some peculiar developments. The Pradeshik Co-operative Federation, properly a non-credit institution, was, for instance, reported to be carrying on credit activities and accommodating even some of the district co-operative banks.

20.11 We may note at this stage some special developments in co-operative organization and practice in some States. The 'controlled credit scheme' was first started in Salem district of Madras in 1936. In 1950-1 it was in force in 49 marketing societies and 418 credit societies in Madras. According to available reports, the 'controlled credit scheme' was operating in few other districts as effectively as in Salem; even in Salem it is reported that the scheme was not working satisfactorily. In Saurashtra, under the Saurashtra Land Reforms Act, 1951, a tenant can get occupancy right in his holding on payment to the 'girasdar' of six times the assessment payable in respect of the agricultural land included in such holding. With a view to assisting tenants in securing occupancy rights, the Saurashtra Land Mortgage Bank was established in September 1951. Out of about 55,000 tenants benefited by the Land Reforms Act, about 22,000 were financed by the bank up to 30 June 1953; the total advance amounted to Rs 1.41 crores.

20.12 Under the schemes relating to the Bombay Agricultural Debtors' Relief Act, there is provision for extending finance to the 'adjusted' debtor not only for redemption of old debts but also for meeting his current production credit requirements. Of the 2·42 lakhs of applications for adjustment of debt which were disposed of by passing awards till 30 June 1951, only 770 awards were taken up by land mortgage banks. About 64,000 of the 'adjusted' debtors applied for crop finance in 1950-1. The amount of crop finance advanced by co-operatives to 'adjusted' debtors in 1950-1 was about Rs 1·18 crores; more than 60 per cent of the total amount was advanced in East Khandesh, West Khandesh, Nasik and Broach.

20.13 The genesis of the scheme for a reorganized system of agricultural finance in Bombay State through the co-operative organization may be traced to the recommendations of the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries (Gadgil Committee), appointed by the Government of India, and the All-India Co-operative Planning Committee (Saraiya Committee). Both the committees favoured the organization of an institutional system of agricultural credit, the agency for provision of agricultural finance to be a suitably reorganized Co-operative Movement wherever it was possible for it to take up this responsibility. Such reorganization of the Movement was undertaken in Bombay as a result of resolutions passed by the Bombay Co-operative Banks' Association in December 1946. The State Government, as part of the process of reorganization, agreed to contribute, on certain conditions, to the share capital of the State Co-operative Bank, and through the State Co-operative Bank to the share capital of the central banks. Simultaneously with this

reorganization and in view of the financial assistance and other help given by the State, the co-operatives undertook the obligation to provide, as far as possible throughout the State, agricultural and marketing credit to creditworthy agriculturists through co-operative institutions. For this purpose, the procedure for advancing loans, making recoveries, etc., of the co-operative system was revised and a reorganized and uniform system of finance was devised in relation to the general obligation which had been undertaken. Finance under the system was to be made available to "persons owning lands of their own or who cultivate agricultural lands either as owners or tenants or both including restricted tenure lands, lands in possessory mortgage and lands given for maintenance and who are entitled to the produce or proceeds thereof". The main features of this reorganized system of finance were the adoption of a scheme of short-term finance for agricultural operations of the year, secured on crops and repayable on the maturity of the crops, and a scheme of medium-term loans for purchase of bullocks, small implements, repairs to wells or bunds, etc., repayable usually within three years. Short-term finance was based on the acreage of different crops cultivated by the borrower, and the scale of finance per acre of the different crops for seasonal expenditure was to be determined each year by the financing agencies in different tracts in consultation with the representatives of co-operative societies and was to be announced in advance for the information of the borrowers. For these crop loans, the co-operative society would have charge on the crops as security in addition to any charge created by the borrower on his land under Section 24AA of the Bombay Co-operative Societies Act. Medium-term loans were, however, related to the real assets of the borrower or could be secured by sureties owning lands and creating a charge on their lands in respect of their surety liability. The quantum of short-term finance was to be based on normal credit statements prepared usually once in three years, and powers were to be delegated to the agents of branches of central financing agencies to sanction loans within the overall limits of the normal credit statements.

20.14 The crop loan system thus introduced was not an entire innovation. The tentative experiments in this direction had been made in the State since 1939 for financing, under Government guarantee, agriculturists whose debts had been adjusted under the Bombay Agricultural Debtors' Relief Act. Since the new arrangement came into force there has been a very noticeable increase in the loans provided by co-operative agencies in Bombay. Thus, whereas the total amount advanced by primary agricultural credit societies in Bombay in 1946-7 was Rs 1·70 crores (excluding merged areas), the advances amounted to Rs 8·12 crores (including merged areas) in 1951-2. The remarkable increase in advances made by primary agricultural credit societies was probably largely due to the adoption of the crop loan system. It was, however, not found easy to introduce immediately every feature of the system over a wide area. Considerable advance has been made in implementing the scheme fully in connexion chiefly with finance of crops like sugarcane and potato. Even though the system of crop finance has not yet been adopted fully, a rapid extension of short-term agricultural finance made available to the

cultivators has been achieved in this State as a result of the reorganization and reorientation of the Movement. Medium-term finance under the scheme has, however, shown no comparable progress.

20.15 In the Survey, 777 primary agricultural credit societies were investigated. Of these, 568 were reported as single-purpose and the remaining 209 as multi-purpose ; 149 of the former and 24 of the latter type were dormant, i.e., had not issued any loans in 1949-50 and 1950-1 or reported any other activity at the time of the Survey. In four of the selected districts, no co-operative societies were investigated. The selected societies in three other districts were all dormant ; in nine other districts the majority of the selected societies did not function. None of the societies studied was dormant in 21 districts.

20.16 Among societies which were not dormant, many of those reported as multi-purpose were in fact only single-purpose and some of those reported as single-purpose were multi-purpose in their operations. Of 185 societies reported as multi-purpose (excluding 24 dormant societies), only 68 were in practice multi-purpose; of 419 societies reported as single-purpose (excluding 149 dormant societies), 57 were really multi-purpose in practice.

20.17 Working capital is defined to include owned funds consisting of paid-up share capital, reserves and other funds, and borrowed funds made up of amounts borrowed from central financing agencies and Government and deposits. According to data collected by the Agricultural Credit Department of the Reserve Bank, the total working capital of all the primary agricultural credit societies (including grain banks) in India as on 30 June 1951 amounted to Rs 40·96 crores ; societies in Madras accounted for Rs 12·08 crores and those in Bombay for Rs 10·74 crores. The Survey data show that the average working capital per society varied from about Rs 400 in Hazaribagh to slightly over Rs 51,000 in Broach. In 16 districts, of which 6 are in Bombay and 5 in Madras, the average working capital per society exceeded Rs 10,000. According to data collected by the Agricultural Credit Department, in Bombay, the Punjab and Madras, the average owned funds per society amounted to Rs 4,529, Rs 2,293 and Rs 2,080 respectively. In the districts surveyed, the average owned funds per society ranged from about Rs 160 in Hazaribagh to about Rs 16,700 in Broach. The average was more than Rs 4,000 in 16 districts, of which 7 are in Bombay.

20.18 There were wide variations in the average deposits per society. In eight districts the selected societies did not report any deposits ; the highest average deposit per society was about Rs 22,000 in Broach. The average deposit amounted to more than Rs 1,000 in 13 districts. The proportion of deposits to the total working capital exceeded 30 per cent in seven districts. The volume of deposits with societies in most States was small. From the replies received to the questionnaire used in investigating the societies, it appears that only a small proportion of the working societies investigated in most of the States had taken some steps towards promotion of thrift.

20.19 The societies borrowed mainly from the central financing agencies and to a small extent from Government. The average borrowed funds outstanding (other than deposits) was more than Rs 4,000 per society in Bombay and Madras; it exceeded Rs 1,000 in only five other States, viz., Orissa, Madhya Pradesh, Madhya Bharat, Coorg and PEPSU. These levels of outstanding borrowed funds were the result of somewhat different conditions in the different States; in the Punjab, the low level was the result of the reliance of the societies on their owned funds supplemented by local deposits; in Bihar and Assam, the low average level reflected the weakness of both the primary and the central financing agencies; in Madhya Pradesh, the high proportion of borrowed funds (other than deposits) to the total working capital reflected the weakness of the primary institutions.

20.20 Information about maximum borrowing power obtained in the Survey shows that, of the working societies studied, 20 per cent or more in West Bengal, Uttar Pradesh, Bihar, Assam and Rajasthan had maximum borrowing power varying from Rs 1,001 to Rs 2,000. Borrowing power exceeded Rs 5,000 in a large proportion of the societies in Madras, Bombay and Hyderabad. Periodical revision of the maximum borrowing power in respect of more than 80 per cent of the working societies was reported in four States. Even though the societies could normally borrow more than Rs 1,000, the average amount of loans held from apex or central co-operative banks per society as revealed by data collected by the Agricultural Credit Department was low; it was, for instance, Rs 69 in Vindhya Pradesh, Rs 168 in Bihar and Rs 510 in West Bengal.

20.21 Loans advanced by selected societies studied by us generally relate to those advanced in 1950-1 or in any other latest year for which data were available. Loans for amounts of Rs 1,000 or more were given in 21 districts, of which 5 each are in Bombay and Madras. In most States, the large majority of the loans were of size less than Rs 300. Loans of size varying between Rs 300 and Rs 1,000 accounted for 20 to 35 per cent of the total number of the loans studied in as many as four States, viz., Madras, Bombay, the Punjab and PEPSU. More than 50 per cent of the total number of loans were for amounts below Rs 100 in 22 districts; none of these districts belongs to Madras, Bombay or the Punjab.

20.22 No data are available to judge directly the adequacy of loans issued by co-operatives. Adequacy of co-operative loans may, however, be judged on the assumption that, as a general rule, for families which borrowed only from co-operatives, the quantum of loans advanced by co-operatives was adequate, and in respect of those who reported borrowings from other agencies in addition to borrowings from co-operatives, the quantum of loans advanced by co-operatives was not adequate. According to the intensive enquiry data, of the cultivators of the upper strata who borrowed from co-operatives, the proportion of those who borrowed from other agencies also was about 88 per cent in Madras, 75 per cent in the Punjab and Uttar Pradesh and 44 per cent in Bombay. The position in respect of cultivators of the lower strata in these States was also similar.

20.23 More than half of the total number of loans were for one to three years' duration in six States. Loans for more than three years' duration were reported in nine districts ; the proportion of the amount lent for three to five years was less than 5 per cent in Poona and Cuddapah, 6 per cent in Coimbatore, 9 per cent in Bijapur, 13 per cent in Kurnool, and over 25 per cent in Quilon, Hazaribagh and Chingleput. Among the co-operatively well developed States, in Bombay, all the loans studied in four of the seven selected districts were for duration of one year or less. This is attributed to the system of crop loans in vogue in the State, under which the loan amount is determined on the basis of crop acreage and the time of repayment is synchronized with the period of harvest.

20.24 Primary agricultural credit societies usually lend against personal security, immovable property, or guarantee by third party. Loans against personal security were given on a large scale in Vindhya Pradesh, Orissa, the Punjab and Bihar. In 30 districts, more than half the total amount lent was against immovable property; in 13 of them, the entire amount was advanced against this security. In Madras and Bombay, 25 and 65 per cent respectively of the number of loans, involving 36 and 76 per cent respectively of the amounts, were secured by immovable property. The high proportion in Bombay is possibly due to the fact that under Section 24AA of the Bombay Co-operative Societies' Act, borrowing members create a charge on their lands in favour of the society at the time of borrowing. Surety loans were in vogue in less than half the districts, and loans, generally few in number, against agricultural commodities, were reported in five districts.

20.25 In Madras 74 per cent of the total number of loans, accounting for 73 per cent of the total amount, were advanced at $6\frac{1}{4}$ per cent or less per annum. The corresponding percentages were 75 and 84 in Bombay. All the loans studied in Madras and more than 95 per cent of those studied in Bombay were given at $7\frac{13}{16}$ per cent or less. While the common rate of interest in the Punjab and Hyderabad appeared to be $9\frac{3}{8}$ per cent, it was $12\frac{1}{2}$ per cent in Rajasthan and Assam. Rates higher than $12\frac{1}{2}$ per cent were reported in five districts of Uttar Pradesh and in one district of Bihar.

20.26 The two most common purposes for which loans were advanced by co-operative societies appear to be current farm expenditure and purchase of livestock. Amount lent for current farm expenditure was more than 70 per cent of the total in Hyderabad, West Bengal, Bombay and Orissa. In Madras, 46 per cent of the amount was given for current farm expenditure and 7 per cent for purchase of livestock. A few loans were reported to have been given for purchase of land in some States, notably in the Punjab and in Quilon district of Travancore-Cochin. Advances on a large scale were reported in Mysore for non-farm business expenditure. A comparatively high proportion of the amount was lent for family expenditure in some States ; the percentage of the total amount lent for this purpose exceeded 20 in Vindhya Pradesh and Mysore.

20.27 The efficiency with which societies were able to recover loans may be judged by the extent of overdues reported by them. In 32 districts, 20 per cent

or more of the amount outstanding was overdue as on 30 June 1951. In five of them, namely, Shivpuri, Sorath, Burdwan, Kamrup and Mahbubnagar, more than 70 per cent of the amount outstanding was overdue. Data collected in the Agricultural Credit Department show that the corresponding percentage was about 60 in Vindhya Pradesh and West Bengal; in Bhopal almost the whole amount outstanding was reported to be overdue.

20.28 According to data collected by the Agricultural Credit Department, the average amount of cash in hand and at banks per society was the highest at Rs 1,452 in Bombay and the lowest at Rs 9 in Madhya Pradesh, as on 30 June 1951. Average amount of deposits with banks per society was the highest at Rs 1,458 in the Punjab. Investments in land and buildings per society amounted to Rs 274 in Travancore-Cochin, Rs 213 in Coorg, Rs 194 in Bihar and Rs 174 in Bombay. Average investments per society in trustee securities were Rs 757 and Rs 265 respectively in Travancore-Cochin and Bombay, compared with Rs 11 in Madras and Rs 6 in Uttar Pradesh.

20.29 Seven grain banks from three districts in Hyderabad were studied in the Survey. The membership of these grain banks varied from 60 to nearly 1,400. With the exception of one grain bank, where the volume of fresh advances was fairly large, the advances during the year were relatively small. The proportion of the quantity of grain overdue to that outstanding exceeded 50 per cent in the case of all the four grain banks for which this information was available.

20.30 There were 99 central banks and 36 banking unions in the selected districts. Of the central banks, 23 were in districts where a central bank was the only central financing agency; 12 were in districts where, in addition to a central bank, there were other co-operative institutions like unions, branches of apex banks, etc., which acted as central financing agencies; the remaining 64 were in 23 districts in each of which there were two or more central banks. Of the banking unions, six were in five of the districts with one central bank each, 24 were in districts with two or more central banks and the remaining six were in three districts where there was no central bank. There were central banks or banking unions in 61 of the 75 selected districts. Of the remaining 14 districts, branches of apex co-operative banks operated as central financing agencies in three districts.

20.31 Information was collected in the Survey in respect of 95 central banks of which 34 were in districts in each of which there was only one central bank, while the remaining 61 were in districts with more than one central bank. Most of the central banks were of the 'mixed' type in the sense that their membership consisted of societies as well as individuals. Only seven central banks had their membership entirely restricted to societies. Among the central banks studied, four had working capital exceeding Rs 1 crore each and five had working capital between Rs 50 lakhs and Rs 1 crore each. In the case of 16 central banks, owned funds and working capital exceeded Rs 3 lakhs and Rs 20 lakhs respectively. (These are the tentative standards for a central bank laid down by the Standing Advisory Committee on

Agricultural Credit.) Of these, 13 belonged to the group of central banks in districts with only one central bank. Of the 16 central banks, 7 were in Madras, 4 in Bombay, 2 each in the Punjab and Madhya Pradesh and 1 in West Bengal. Of the 34 central banks in districts with only one central bank, 8 had deposits exceeding Rs 25 lakhs each, whereas among the 61 banks in districts with more than one central bank, only 3 had deposits exceeding Rs 25 lakhs and 24 had deposits of less than Rs 1 lakh each. Among the central banks in districts with only one central bank, the establishment costs of ten banks were less than Re 1 per Rs 100 of loans and advances, while in nine banks the corresponding amount ranged from Re 1 to Rs 4. Of the 60 central banks in districts with two or more central banks, for which the relevant data are available, in the case of 30 central banks the establishment costs per Rs 100 of loans and advances exceeded Rs 5. A study of the relation of establishment costs to working capital shows that there was generally a progressive increase in the incidence of establishment costs as the working capital decreased. Of the 14 central banks having working capital of less than Rs 1 lakh for which the relevant data are available, the establishment costs in the case of 5 central banks exceeded Rs 10 per Rs 100 of working capital.

20.32 Information was collected in the Survey in respect of 30 banking unions. Of these, 19 unions in the Punjab were of the pure type where individuals were not admitted as members. Two unions, one each from PEPSU and Uttar Pradesh were also of the pure type. The number of member societies of the unions varied from 9 to 135. The paid-up share capital of the banking unions varied from about Rs 900 to Rs 49,000. The owned funds of the banking unions were generally less than Rs 1 lakh. Most of the unions in the Punjab were comparatively strong financially. Sixteen unions out of the 19 in the Punjab had deposits exceeding Rs 1 lakh each; two of these had deposits exceeding Rs 10 lakhs each. In other States, the volume of deposits with unions was generally low. Owing, probably, to the small operating size of the banking unions, their establishment costs were fairly high. In the case of 8 out of the 29 banking unions for which the relevant data could be obtained, the establishment costs were less than Rs 3 per Rs 100 of loans and advances, while in the case of 14 banking unions the corresponding amount exceeded Rs 5.

20.33 According to data collected by the Agricultural Credit Department, the total working capital of all central banks and banking unions in India was Rs 56·4 crores as on 30 June 1951. Of this, the central banks and banking unions in Madras and Bombay accounted for Rs 34·7 crores. Considered in relation to the size of the rural population, the working capital of central banks and banking unions per 1,000 rural families was the highest in the Punjab followed by Bombay and Madras, among the States covered by the Survey. Owned funds constituted 12 to 15 per cent of the working capital of central banks and banking unions in Bombay, Madras and the Punjab. Deposits per 1,000 rural families exceeded Rs 25,000 in Bombay and in the Punjab but were only about Rs 13,400 in Madras. According to the Survey data, the loans and advances of central financing agencies per 1,000 rural families exceeded Rs 50,000 in

about one-tenth of the districts in which these agencies operated and were between Rs 10,000 and Rs 50,000 in roughly one-fifth of these districts; in about one-third of these districts, the advances per 1,000 rural families were less than Rs 1,500. A detailed analysis of advances by central banks is not available for all banks. The available data show that in many cases a relatively low proportion of the total advances was given to agricultural credit societies. The complete data available for Madras reveal that out of the total advance of Rs 44·7 crores made by central banks during 1951-2, only about 17 per cent was advanced to the rural credit societies. Marketing societies and wholesale and primary stores accounted for 9·9 per cent and 44·5 per cent respectively of the total advances. The loans held from central or apex banks by the central non-credit societies in Uttar Pradesh amounted to Rs 131·03 lakhs as compared to Rs 167·42 lakhs held by the agricultural credit societies. In Mysore, the amount held by non-agricultural credit societies from apex or central banks stood at Rs 18·02 lakhs as compared to Rs 5·96 lakhs for agricultural credit societies.

20.34 In 31 of the central banks studied, the proportion of overdues to loans outstanding was more than 25 per cent as on 30 June 1951. In about two-fifths of the central banks in districts with more than one central bank, the proportion of overdues to loans outstanding was more than 25 per cent; in a few of these, the proportion was more than 75 per cent. According to data collected by the Agricultural Credit Department, the proportion of overdues to loans outstanding was more than 60 per cent in Mysore, Bhopal and West Bengal, while it was less than 10 per cent in Bombay, Madras, the Punjab, Travancore-Cochin and PEPSU.

20.35 The advances by apex banks to banks and societies during 1951-2 per 1,000 rural families were the highest in Bombay at about Rs 47,600; in Madras it was about Rs 11,100 and in Uttar Pradesh, about Rs 10,900. The corresponding figure for the Punjab and Bihar was about Rs 950 and Rs 360 respectively. The advances made by the Reserve Bank of India outstanding against the apex banks as on 30 June 1952 were about Rs 2·90 crores in Madras, Rs 2·68 crores in Bombay, Rs 85 lakhs in West Bengal, Rs 21 lakhs in Uttar Pradesh and Rs 20 lakhs in Orissa. Of the central banks covered during the Survey, 35 banks from 22 districts received through apex banks financial accommodation at concessional rate from the Reserve Bank during 1951-2. In the case of about one-third of these banks, many of which were from West Bengal, Madhya Pradesh and Orissa, these advances constituted more than 50 per cent of the total advances to agricultural credit and non-credit societies made by these banks during 1951-2.

20.36 In the Survey, land mortgage banking institutions were found to be operating in the selected villages or marketing and tehsil centres of only 25 of the selected districts. There were 47 such institutions in these districts. Of these institutions, five, operating in Sorath and Kolhapur, were branches of central land mortgage banks and six, operating in Chanda, Durg, Sagar, Ahmedabad and Bijapur, were departments of central banks, dealing with land mortgage banking business; the remaining 36 institutions were primary land mortgage banks. Of the 42 institutions

for which relevant data are available, advances during the year 1950-1 exceeded Rs 1 lakh in the case of 10 institutions. Six of the institutions did not report any advances during the year. The highest advance, Rs 3·7 lakhs, was reported by the West Khandesh District Co-operative Land Mortgage Bank.

20.37 According to data collected by the Agricultural Credit Department, the working capital of the central land mortgage banks as on 30 June 1951 was Rs 5,65 lakhs in Madras, Rs 88 lakhs in Bombay, Rs 85 lakhs in Mysore, Rs 23 lakhs in Travancore-Cochin and Rs 11 lakhs in Orissa. The Madras Co-operative Central Land Mortgage Bank accounted for nearly three-fourths of the working capital of all the central land mortgage banks in India. The average working capital of central land mortgage banks exceeded Rs 6,000 per 1,000 rural families in Madras and Mysore; it was about Rs 2,000 in Bombay. Debentures represented more than 80 per cent of the working capital in Madras, Bombay and Mysore.

20.38 The total working capital of all the primary land mortgage banks in India amounted to Rs 6,66 lakhs as on 30 June 1951, of which the banks in Madras accounted for Rs 4,74 lakhs. Borrowings held at the end of the year from central land mortgage banks accounted for about 90 per cent of the total working capital of the primary land mortgage banks in Madras and Mysore and about 60 per cent of the working capital of those in Bombay. Borrowings from the apex bank formed about 80 per cent of the working capital of primary land mortgage banks in Madhya Pradesh. In West Bengal, borrowings from Government formed about 65 per cent of the total working capital of the primary land mortgage banks.

20.39 Out of an amount of Rs 6,26 lakhs due to the primary land mortgage banks in India from their members as on 30 June 1951, the amount in respect of Madras alone stood at Rs 4,53 lakhs. According to the Survey data, loans for amounts exceeding Rs 10,000 accounted for more than 5 per cent of the total in four districts, namely, Bangalore, Hassan, Kolhapur and Ramanathapuram. About one-third of the loans in Kolhapur and Kurnool were of size between Rs 5,000 and Rs 10,000. Loans of size between Rs 1,000 and Rs 3,000 were relatively more common in most districts. In Sorath and Burdwan, loans of size less than Rs 1,000 represented 90 and 64 per cent respectively of the total number of loans.

20.40 In all the selected districts of Madras and Mysore, loans advanced by the land mortgage banking institutions studied were for a fixed duration of 20 years. In Bombay, West Bengal and Madhya Pradesh, loans for periods ranging between 10 and 20 years were common. All the loans issued in Saurashtra were of less than ten years' duration.

20.41 Loans for repayment of old debts accounted for more than 80 per cent of the total amount advanced in the districts of Madras and Mysore and also in Broach and Akola. Nearly two-fifths of the loans in Bombay were granted for purchase of land and land improvements. In Saurashtra, loans were advanced to tenants chiefly for acquiring occupancy rights.

20.42 In the majority of the districts, loans were generally sanctioned by the land mortgage banking institutions studied, after a time-lag of three months. In Saurashtra, all the loans in respect of which the relevant information was available were sanctioned within a period of three months from the date of application ; these loans formed about 90 per cent of the total number of loans studied. In Madras, Mysore, West Bengal and Madhya Pradesh, 20, 33, 34, and 36 per cent respectively of the total number of loans were sanctioned after a time-lag of one year. The most usual rates of interest on borrowings by the land mortgage banking institutions studied varied from 3 to 5½ per cent and those on lendings by them, from 5¼ to 9 per cent.

20.43 Of the land mortgage banking institutions studied, six in Madras, two in Mysore and one in Bombay did not have any overdues as on 30 June 1951. The proportion of overdues as on 30 June 1951 to the total amount due during the year 1950-1 was less than 5 per cent in six institutions in Madras, one in Mysore and one in Madhya Pradesh. In all the land mortgage banking institutions investigated in Madhya Pradesh except that in Durg district, the proportion of overdues as on 30 June 1951 to the total amount due during the year 1950-1 exceeded 15 per cent.

20.44 The selected cultivators in 12 districts reported that they sold their produce to co-operative societies. In eight of these districts less than 2 per cent of the total value of produce sold was sold to co-operatives. The corresponding proportion exceeded 10 per cent in the remaining four districts, namely, Deoria, Broach, Shahjahanpur and Meerut. In Deoria, Shahjahanpur and Meerut, the commodity generally dealt with by marketing co-operatives was sugar-cane, while in Broach it was cotton.

20.45 In the Survey, 124 marketing co-operatives were investigated. Of these, 44 were dealing mostly in controlled commodities, 2 were dormant (i.e., neither advanced any loans during 1949-50 and 1950-1 nor marketed any produce nor supplied seed, manure, etc.), one could not be properly classified, 2 were state marketing societies and the remaining 75 were dealing in agricultural produce of their members. Of these 75 marketing co-operatives, 16 were dealing in sugar-cane, 6 in *gur*, 9 in *ghee* and milk, 18 in cotton or oilseeds or both, 8 in fruits and vegetables and 18 in miscellaneous commodities such as coconut, spices, etc.

20.46 Of the 16 sugar-cane marketing institutions studied, 14 were from Uttar Pradesh. The value of sales during the year was more than Rs 10 lakhs in 5 out of the 13 institutions for which data are available. Of the six marketing co-operatives dealing in *gur*, three each were in Kolhapur and Poona. The Nira Canal Purchase and Sale Union in Poona reported sales during the year valued at over Rs 20 lakhs. Five *ghee* and four milk marketing co-operatives were investigated in Meerut, Agra, Kanpur and Nainital. Among the *ghee* unions, the value of sales during the year 1950-1 was the highest in the case of the Central Co-operative Ghee Union, Agra, at about Rs 50,000. Milk marketing co-operatives, one each from Meerut, Kanpur and Nainital, reported sales of over a lakh of rupees, the highest being about Rs 9

lakhs in the case of the Kanpur society. Of the 18 cotton and oilseeds marketing co-operatives studied, 9 were from Bombay, 6 from Madras, and one each from Saurashtra, Hyderabad and Mysore. The cotton sale societies of Gujerat which pool, grade and market the produce of their members and also supply them improved seed, fertilizers, etc., need particular mention. The Broach Cotton Sale Society, Hansot, undertakes pooling, processing and joint selling of members' produce. It serves all the villages within a radius of about 12 miles from Hansot. It gave loans during 1950-1 amounting to Rs 1·53 lakhs to its members and collected commodities worth Rs 16·54 lakhs from its members. Of the 18 marketing institutions dealing in miscellaneous commodities, 5 were from Madras, 4 from Mysore, 3 each from Orissa and Uttar Pradesh, 2 from Bombay and one from Travancore-Cochin. Of the 8 fruit and vegetable marketing societies, 5 were from Bombay, 2 from Madras and one from Bihar.

20.47 State aid to the Co-operative Movement takes various forms like loans, subsidies and grants, guarantee in raising loans and services of personnel. State loans to co-operative institutions are, however, of special importance; it is this aspect of the State aid, which we discuss at this stage. The data discussed, which were collected by the Agricultural Credit Department, generally relate to the position as on 30 June 1951.

20.48 Among the different States, the amounts owed to Government by various types of co-operative institutions (which comprise apex banks, central banks and banking unions, primary agricultural credit societies including grain banks, primary agricultural non-credit societies, central and state non-credit societies and central and primary land mortgage banks) were large in Uttar Pradesh (Rs 2,86 lakhs), Bombay (Rs 84 lakhs), Bihar (Rs 74 lakhs), West Bengal (Rs 70 lakhs) and Assam (Rs 45 lakhs). In 11 of the 20 States covered by the Survey, the bulk of Government accommodation to co-operatives was extended to credit institutions; non-credit institutions in Uttar Pradesh, Bombay, Madhya Pradesh, Madras and Hyderabad and land mortgage banks in Travancore-Cochin and Mysore, received the major part of loans from Government.

20.49 Seven apex banks reported loans from commercial banks as on 30 June 1951. The amount owed to commercial banks expressed as proportion of total working capital of the apex bank was about 27 per cent in Madras, 23 per cent in Hyderabad, 15 per cent in West Bengal and the Punjab and less than 2 per cent in Bihar, Uttar Pradesh and Ajmer. The Imperial Bank of India gave accommodation to the Madras State Co-operative Bank in 1950-1 against Government guarantee for financing procurement of foodgrains etc. In the Punjab, borrowings of the apex bank from commercial banks accounted for 81 per cent of its total borrowings (excluding deposits). In West Bengal, the apex bank borrowed from the Imperial Bank of India against Government securities to meet the heavy demand during the post-partition period. Finance from commercial banks to apex banks throughout India as on 30 June 1952 amounted to Rs 2·51 crores (of which Rs 1·97 crores represented the borrowings of the Madras State Co-operative

Bank from the Imperial Bank of India), and formed about 7 per cent of the working capital of all the apex co-operative banks in India. Out of Rs 1·97 crores owed by the Madras State Co-operative Bank to the Imperial Bank, about Rs 1·96 crores were against Government guarantee. In the case of central co-operative banks and banking unions, finance from commercial banks amounted to nearly Rs 1 crore and formed less than 2 per cent of their total working capital.

20.50 Advances made to individuals, many of whom were probably traders etc., constituted 74 and 30 per cent respectively of the total amounts advanced during 1951-2 by the apex banks in Madhya Pradesh and Hyderabad. The proportion of advances to individuals to the total advances by central banks was substantial, being 50 per cent or more, in Rajasthan, Madhya Bharat and Saurashtra.

20.51 It is not possible to assess, on the basis of the Survey data, the extent to which loans to moneylenders had been given by co-operatives or the extent to which borrowings from co-operatives have been used for re-lending; however, some Inspectors, as for instance a few in Uttar Pradesh and Hyderabad, reported that some of the officials of co-operative societies were also carrying on money-lending activities.

20.52 We have so far considered the data collected in the Survey relating to all the eight villages in each district; the data based only on the villages with societies may indicate the extent to which the existing co-operative societies served the villages in which they operated. The former type of data show that in Broach, Kolhapur, Poona and West Khandesh, about 20 to 32 per cent of the borrowings of cultivators was from co-operatives and that in all the remaining districts such borrowings formed less than 10 per cent of the total. Data relating exclusively to the villages with co-operative societies show that the proportion of the borrowings from co-operatives to the total borrowings was more than 25 per cent only in the above mentioned four districts and in Koraput.

20.53 For all the districts taken together, the average borrowing from co-operatives per family in the case of the big cultivators was Rs 21 and it was slightly less than Rs 5 in the case of the medium cultivators. The proportion of families borrowing from co-operatives was also higher in the case of cultivators of the upper deciles. The condition of non-cultivators was generally similar to that of the small cultivators. However, in some districts, the proportion of borrowings from co-operatives to the total borrowings was higher in the case of non-cultivators than in the case of the small cultivators. Further, in these districts, the proportion of families who borrowed from co-operatives was generally smaller and the average amount borrowed per borrowing family was generally larger, in the case of non-cultivators than in the case of the small cultivators. Possibly this is because non-cultivators who were able to become members of co-operatives and who borrowed from them were from classes such as traders who would require and obtain much greater individual accommodation from co-operatives. The data may further be indicative of the fact that rural artisans, agricultural labourers and other classes who constitute the bulk of the group of non-cultivators are not usually able to obtain accommodation from co-operatives.

This feature is most marked in districts in Bombay State. It is, however, noticeable to a varying extent in other parts of the country also.

20.54 The reasons for the lower deciles obtaining a lower proportion of their finance from co-operatives may be similar to those mentioned in relation to Government finance. Co-operatives as well as Government, in most States, demand security of immovable property, preferably land, for giving loans. This might act generally as a deterrent or handicap in granting finance to poorer cultivators and the landless classes. Government and co-operative loans are also restricted ordinarily to specific purposes. Further, if the crops such as sugar-cane, tobacco, etc., which are costlier to grow were more largely grown by the upper deciles, then finance, even when based on crop production and not on ownership of land, would be diverted in larger proportionate amounts to owners or operators of the costlier businesses. This would be an important factor in the disproportion in the distribution of co-operative finance, especially in Bombay State. The ordinary labouring and artisan classes mainly need consumption finance which they would not ordinarily be able to obtain from co-operatives. Another factor limiting the availability of co-operative finance would be the conditions regarding admission to membership of co-operative societies; if membership was confined in practice to special groups or required certain qualifications as minimum ownership of land, membership and its benefits would be unevenly distributed.

20.55 It is possible to institute a comparison, as in the case of Government finance, between the data regarding the purposes for which loans were advanced by co-operatives and the data regarding purposes of borrowing collected in the enquiry on the 'demand' aspect through the General Schedule. The comparison would be subject to the same limitations. Such a comparison indicates that in some of the selected districts, especially from Madhya Pradesh, Bihar, Hyderabad and Madhya Bharat, and even in some districts of Bombay and Madras, the proportion of borrowings for family and non-farm business expenditure, according to the General Schedule, was much higher than the proportion of borrowings for these purposes according to the enquiry into the 'supply' aspect.

20.56 According to the intensive enquiry data, borrowings for short-term agricultural purposes from co-operatives exceeded Rs 10 per cultivating family in Akola, Ahmedabad, Broach, Kolhapur, Poona and West Khandesh; in all the other districts, borrowings for these purposes were relatively very small. Borrowings for these purposes from co-operatives exceeded 40 per cent of the total borrowings for these purposes from all agencies, in Broach, West Khandesh, Kolhapur and Poona ; in Ahmedabad, such borrowings accounted for slightly more than 25 per cent of the total. In Bombay, co-operatives accounted for 42 per cent of the total borrowings of cultivators for short-term agricultural purposes. About 63 per cent of the total borrowings from co-operatives in Bombay was reported to be for short-term agricultural purposes. Eleven per cent of the total borrowings for short-term agricultural purposes in all the districts taken together was accounted for by co-operatives. Co-operatives also accounted for 8·7 per cent of the total borrowings for repayment of old debts,

2·4 per cent of the total borrowings for long-term agricultural purposes, 2·2 per cent of the total borrowings for short-term consumption purposes, 0·9 per cent of the total borrowings for long-term consumption purposes and 0·5 per cent of the total borrowings for short-term non-agricultural purposes. The average borrowing per cultivating family from co-operatives for short-term agricultural purposes was about Rs 19 in Bombay; in other States, the average was very low, of the order of Rs 2 or less.

20.57 The General Schedule data show that the proportion of borrowings of cultivators from co-operatives to the total borrowings from all agencies was 16 per cent in Bombay, 2 per cent in Madras and 4 per cent in the Punjab. About 8 per cent of the cultivating families reported borrowings from co-operatives in Bombay; the corresponding proportion was about 3 per cent in Madras and nearly 4 per cent in the Punjab.

20.58 The high volume and proportion of advances by co-operatives in Bombay appears to be a recent phenomenon. The increase in advances of co-operatives became marked since the reorganization of the Co-operative Movement referred to earlier. Whereas the average amount advanced by primary agricultural credit societies in Bombay per 1,000 rural families was about Rs 5,700 in 1946-7, it was about Rs 18,200 in 1951-2. In comparison, in Madras, the average advances of the primary agricultural credit societies per 1,000 rural families was about Rs 4,100 in 1946-7 and it increased to slightly more than Rs 8,200 in 1951-2.

20.59 From the data available, no firm generalization can be made regarding regional or other characteristics associated with the uneven development of the Co-operative Movement from State to State. It may, perhaps, be stated that the Co-operative Movement is backward in areas where landlordism prevailed as compared to the States in which the peasant-proprietor or the owner-cultivator was prominent. This appears to be at least a possible explanation of the marked difference between the coverage of the Movement in Bombay, Madras and the Punjab on the one hand and Uttar Pradesh, Bihar and West Bengal on the other. The generalization obviously applies essentially to the credit side of the Movement; in respect of co-operative marketing, the Uttar Pradesh sugar-cane supply societies have recorded an advance which is greater than that in most States of the non-zamindari areas.

20.60 The unevenness in coverage may, in the first instance, be reflected in the number of societies in a district and the percentage of villages in a district, which have no societies. Secondly, it would appear in the average membership of societies. Societies in particular districts or States may have, as a rule, a wide and steadily increasing membership or a membership restricted to a small number or to particular groups. The third aspect of uneven or incomplete coverage is inadequacy of finance. Even when a village has a society and its membership is comparatively large and widespread, the extent of finance made available by the society may be negligible.

20.61 All these aspects of defects in coverage are emphasized in our data relating to the proportion of working societies in a district, the average size of

loans given by societies and the average working capital available to societies for their financial operations. The inadequacy of co-operative finance is specially emphasized by the data relating to purposes and periods of borrowings and the proportion of funds borrowed from co-operatives to the total borrowings of different deciles of cultivators and of non-cultivators. Comparatively, the needs of the lowest groups or deciles of cultivators and of non-cultivators are covered to a much smaller extent by co-operative finance than the needs of the more substantial cultivators; the contrast is particularly marked in some States such as Bombay. It becomes clear in this context that existing co-operative finance is highly restricted as to purposes. Consumption loans are ordinarily not available from co-operatives and their share in medium-term and long-term agricultural production finance is also comparatively small. Where progress has been made, it has been the most substantial in meeting the needs of cultivators for short-term agricultural production finance.

20.62 It follows from the data and our analysis that a development programme must aim at multiplying the number of societies, at widening their membership and at making finance adequate and fully available to members. In relation to the last aspect, the special need is obviously for ensuring that medium-term and long-term finance for agricultural production purposes is available through co-operative agencies and that consumption finance is also given by them at least to a limited extent. A widening of purposes of finance may by itself partly remedy the present uneven distribution of co-operative finance among the different deciles of cultivators or among cultivators and non-cultivators. However, it would also be necessary to see that members of the classes of rural families who are placed at a special disadvantage in regard to credit, and who require in some ways co-operative financial help more badly than others, are admitted to societies and their needs looked to through a proper planning of types of credit, types of securities, terms of repayment, etc.

20.63 Attention may be drawn to some special features of the Survey data as they seem to point to conditions under which success for the Co-operative Movement is possible. In some ways, data on the variations of fortunes of co-operative marketing within different areas are specially useful for this purpose. One of the most successful endeavours in co-operative marketing is that of the co-operative sugarcane supply in Uttar Pradesh. The reasons for the success of this experiment are, however, to be found in some peculiar circumstances in which this system originated and within which it works. In the first instance, there is both a basis and an incentive for co-operative effort, offered through the operation of legislative enactments. Secondly, the co-operatives in this case do not have to seek customers or to counter the opposition of private traders in the open market. They have a single legally secured buyer with whom they deal, and the determination of the price has also, in recent years, become much more largely a question of governmental decision rather than of bargaining between the buyer and the co-operative supplier. All this makes for easy and favourable conditions for co-operative marketing and this instance shows how in special circumstances governmental regulations can help a rapid growth and firm establishment of co-operative marketing. It may, however, be noted that

the growth of co-operative marketing in sugar-cane in Uttar Pradesh did not mean a corresponding strengthening of co-operative credit in that State. Co-operative marketing in this instance came to be independently established and not as a link to or as a necessary counterpart of the functioning of co-operative credit organization. To some extent the marketing structure itself finances cultivator-members. But even this development is limited and the credit structure continues to remain weak.

20.64 An instance of successful marketing more intimately connected with credit is that of the development of co-operative cotton sale societies established in Gujerat. There is little help given through governmental regulation in the establishment of this movement and its development is limited only to certain regions, and within them to certain areas. It does, however, show how by co-operative credit linking itself with marketing and the marketing societies taking on processing functions, the whole system gathers strength. A feature common to the sugar-cane supply and the cotton sale co-operatives is the linking of processing with marketing. It is where the co-operative sale societies operate their own gins and presses that marketing of cotton through co-operatives has been specially successfully established and has been found to be most beneficial. In the case of sugar-cane, the fact that the processor or the manufacturer is the buyer is largely responsible for the success of the society. There are other cases of success where, though the marketing may not be linked to processing, the success is due to co-operatives having secured bulk orders from established institutional consumers. This is the case in the operation of certain milk societies in Madras and Uttar Pradesh. Similarly, in Bombay it is found that in the sphere of marketing, co-operative societies can operate much more successfully as parts of an integrated governmental scheme than otherwise.

20.65 Ordinarily, marketing development follows on the development of co-operative credit and is usually induced by the need felt for it for the proper functioning of the credit system. The reorganized co-operative credit system in Bombay, however, presents an instance of large developments in co-operative credit itself without a corresponding reorganization or progress in the marketing structure. The rapid expansion of co-operative credit in Bombay points to certain circumstances in which, and certain devices by the help of which, further progress in co-operative credit would be immediately possible. But even here it has to be noted that the more notable and rapid increases in grant of credit and in the proper operation of the reorganized system have been helped by, and are in some respects dependent on, the development of marketing. The two main crops in relation to which the Bombay crop loan system is supposed to be operating most satisfactorily are sugar-cane and potato. In both these, the organization of sale and purchase has been helpful for expansion of credit as well as for the regular operation of the credit system. The limit of progress possible in this direction may be said to be achieved when a co-operative producer-organization itself buys the total supply of the main cash crop of cultivator-members, as happens in the case of a co-operative sugar factory. Here a varied and full supply of credit—full, i.e., to the full extent

of technical requirements of production, and varied, i.e., given in a variety of directions, namely, manure, labour costs, fuel, hire of machinery, etc.—for productive requirements is possible because the co-operative sugar factory itself benefits by the full finance for production by cultivator-members and is secure in its ability to recover its dues because of sugar-cane purchase being all concentrated in its own hands. While some success has been achieved within the reorganized system in Bombay, even without a systematic linking of credit with marketing, it is clear that further development for fuller credit to larger numbers, including the weaker elements among the cultivators, would be possible even in Bombay only with a much improved linking of marketing with the co-operative credit structure. The Bombay developments also emphasize what was observed in a direct study of marketing successes, viz., the crucial role of processing in a proper reorganization of co-operative marketing itself.

21. PRIVATE CREDIT AGENCIES

21.1 The operations of private credit agencies have been affected chiefly by legislation directed at regulation of moneylending and of mortgage credit through restrictions on sale and mortgage of land. The Usurious Loans Act, 1918, which authorized the courts to reopen 'substantially unfair' transactions as also those in which the interest was 'excessive', remained ineffective and special legislative measures for regulating moneylenders' activities have been undertaken in a large number of States. The enactments in the various States vary in their coverage and in their provisions. In Bombay, Hyderabad, Madhya Pradesh, Madhya Bharat, Mysore and West Bengal, it is made obligatory on the part of the moneylender to obtain a licence; in Bihar, Orissa and the Punjab, on the other hand, an unlicensed or unregistered moneylender is only debarred from having recourse to the courts for the recovery of his dues. The Madras Debtors' Protection Act and the Assam and Coorg Moneylenders' Acts do not provide either for registration or licensing. The Madras Pawnbrokers' Act, 1943, however, provides for licensing of pawnbrokers.

21.2 A feature common to most Acts is the insistence upon the maintenance by the moneylender of separate accounts in respect of each debtor in a prescribed form. The Acts generally require the moneylenders to submit to their debtors (1) a statement, at the time a loan is advanced or within a short period after it is made, of the amount and date of loan, the date of its maturity, the nature of security, if any, and the rate of interest, (2) a detailed periodical statement regarding the outstanding principal and interest and the repayments made, (3) a complete and clear receipt as and when each payment is made and (4) copies of documents on demand and on payment of the prescribed fee.

21.3 The maximum rates of interest allowed on secured and unsecured loans have been variously fixed in different States. The rates for unsecured loans (simple interest) vary from $5\frac{1}{2}$ per cent in Madras (Madras Agriculturists' Relief Act, 1938) to 24 per cent in Uttar Pradesh. In Madras, the Madras Pawnbrokers' Act stipulates the maximum chargeable interest rate at $9\frac{3}{8}$ per cent (simple interest) in the case of loans of Rs 25 and below and $6\frac{1}{4}$ per cent (simple interest) in other cases subject to some exceptions, while the Madras Debtors' Protection Act stipulates 9 per cent simple interest for secured loans and 15 per cent simple interest for unsecured loans (of less than Rs 500 at a time in any one transaction). Compound interest is specifically prohibited by some Acts. However, no such prohibition occurs in the legislation of some States. Another provision which is common to a number of enactments is the rule of *damdupat*.

21.4 For the infringement of the provisions of the Acts, the usual penalty is the denial to the creditor, of the legal machinery to sue the debtor. Contraventions of the provisions are, in most Acts, treated as offences punishable with fine or imprisonment or both. In some Acts, there are also miscellaneous provisions such as those which exempt from attachment or sale certain items of properties in execution of

decrees against the judgment debtor, entitle the debtor to deposit amount of repayment etc. in court when a moneylender refuses to receive it, prohibit contract for payment of loan outside the State, penalize the molestation and intimidation of a debtor, etc.

21.5 For effective enforcement of the regulatory Acts, it was considered necessary by the Agricultural Finance Sub-Committee to create *inter alia* a special supervisory agency. The Committee also held that periodical reviews of the various measures would bring out the defects, if any, in the existing legislation and make it possible to take timely action to correct them. However, only in a few States, viz., Bombay, West Bengal and Mysore, statutory provision for a supervisory agency was made. Similarly, barring a few States, there seems to be no arrangement for the publication of systematic and comprehensive reviews of the working and effects of the legislation.

21.6 In the absence of such regular reviews, no statistical data can be cited as to the total number of moneylenders or the volume of business done by them. The available data in respect of a few States show that in Bombay State there were 6,688 licensed moneylenders as on 31 July 1949, 24,592 as on 31 July 1950 and 17,744 as on 31 July 1951; in Madhya Pradesh and Bihar, the number of licences issued in 1948-9 was 3,848 and 2,972 respectively; in Mysore and West Bengal the corresponding figure was 1,032 and 1,002 respectively; in the Punjab only 268 licences were issued in 1948-9.

21.7 The unevenness in registration is obvious from the State data. The data indicate that the registration of moneylenders was neither full nor even ; it is, however, not possible to measure the extent of the defects in registration or of illegal operations. The following comments are representative of conditions in a State where supervision etc. of the Act are provided for to a larger extent than is usual.

> " Notwithstanding the special measures which have been adopted from time to time with a view to facilitate effective enforcement of the Act, response to this piece of legislation has not been adequate. Though the number of licences during the year shows an increase over those of the previous year, the increase is not indicative of an adequate measure of response either in rural or urban areas. Though it cannot be said that the lack of response is widespread, it is obvious that . . . the money-lenders have either stopped their business or are engaged in illicit trade.
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> " . . . So far as the operation of the Money-lender Act in districts outside the jurisdiction of the Special Registrars is concerned, experience has shown that the Mamlatdars, who work as Assistant Registrars of Money-lenders, have confined their attention mostly to the grant of licences to such of the persons as apply for licences and no enquiry appears to have been made why the licensed money-lenders have not renewed their licences . . .
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"There are, however, grounds to believe that in these bigger cities, the money-lenders who have not obtained licences are still carrying on the business of money-lending by resorting to a number of unlawful and evasive practices. These include (*a*) the maintenance of duplicate sets of account books, (*b*) inflating the amount actually lent and prescribing the inflated amount as being without interest, (*c*) nominally purchasing the pawned articles outright instead of describing them as pawned, (*d*) issuing post-dated bearer cheques, these being outside the purview of the Act as Negotiable Instruments."

21.8 In some States, legislation has been enacted with the definite objective of preventing transfer of land to non-cultivators, and rights of pre-emption and floors and ceilings to holdings also limit transactions in land. Similarly, the transfer of their interest in land by the tenants is subject to various degrees of restrictions. In some States, these restrictions are ordinarily applicable to transfer of land by cultivating owners or tenants by way of mortgage in which the possession of the property is delivered to the mortgagee.

21.9 Our study of the working of credit agencies is based partly on data obtained from the rural families who borrowed or were in debt and partly on data obtained in schedules and questionnaires completed for credit agencies. There is a great deal of difference in the quality and volume of data obtained from the different agencies. The data obtained from Government and the co-operative agencies were ordinarily complete and a considerable portion of these was obtained directly from the records of the authorities. The data supplied by most commercial banks were also fairly complete and may be said to be reliable. In relation to other private agencies, great difficulties were experienced in obtaining the information and it is not always possible to be sure about the degree of reliability of some aspects of information obtained from some private agencies. In very few cases was it possible for our Investigators to obtain access to the account books and records of these private agencies and to extract information from them. The extreme case of lack of response is presented by the indigenous bankers. However, the returns from moneylenders were also, in varying degrees, neither full nor precise.

21.10 The discussion on the role of 'relatives' as creditors is based entirely on data collected on the 'demand' aspect of the Survey. Only interest-free loans from relatives were treated as loans from this agency. If interest-bearing loans had been taken by a borrower from relatives, such loans were classified under one or the other of the categories appropriate for the purpose, such as the agriculturist moneylender, the professional moneylender, etc. From an analysis of the data relating to borrowings, it cannot be said that in any State or region relatives played a larger or smaller proportionate role in the financing of the smaller or larger cultivators or the non-cultivators. There were large variations from district to district in the finance obtained by the selected cultivators from relatives for various types of purposes and periods. However, in certain regions, long-term finance for agricultural purposes and short-term and long-term consumption finance appeared to be particularly important in the finance advanced by relatives.

21.11 No general or regional bias towards any particular purpose or period appears in the data relating to purpose of finance by landlords. According to the intensive enquiry, out of the 31 districts in which debt to landlords was reported, in 20 districts the whole of it was outstanding against personal security. In six of the districts, more than 60 per cent of the debt owed to landlords was against immovable property. In all these districts except Jullundur and Bhatinda, the debt due to landlords was mostly against simple mortgage of property; the entire debt secured by immovable property in Bhatinda and the major part of such debt in Jullundur were against usufructuary mortgage.

21.12 More than half of the borrowings of selected cultivators from landlords was free of interest in eight districts. In some districts, on the other hand, interest rates charged by landlords were relatively high. More than 20 per cent of the borrowings from landlords was at rates between 35 and 50 per cent in Sawai Madhopur and Hoshiarpur.

21.13 In collecting information directly from moneylenders, the procedure adopted was to identify moneylenders as such either in villages selected for the Survey or in the selected marketing centres or other important urban localities in the surveyed districts. The data collected from this sample of moneylenders have been presented separately for village moneylenders and urban moneylenders. On the other hand, the main classification adopted in discussing the data on the 'demand' aspect is that of agriculturist and professional moneylenders. The differences in characteristics of business and modes of operation of professional moneylenders and agriculturist moneylenders, as disclosed by information given by rural borrowers, are not striking. The data on the 'supply' aspect show that in many districts the extent of business transacted by several urban moneylenders with agriculturists or other rural classes was, however, comparatively small. The information on the 'demand' aspect is derived entirely from rural families, and pertains, of course, to operations of lenders who operate, and the extent to which they operate, in the rural areas. There is no presumption also that professional moneylenders were more urban than agriculturist moneylenders.

21.14 In the selected districts, 622 village moneylenders and 2,854 urban moneylenders responded to the enquiry. In 369 out of the 600 villages selected for the 'demand' aspect of the Survey, no moneylenders were reported. The proportion of villages with no resident moneylenders was 90 per cent in the Assam-Bengal region.

21.15 About 68 per cent of the village moneylenders who replied to the relevant question reported that they were also cultivators. The lowest proportion in this respect was reported in the Rajasthan region. About 29 per cent of the urban moneylenders reported that they were also cultivators. Most of the moneylenders had one or more additional occupation; only about 2 per cent of the village moneylenders and about 6 per cent of the urban moneylenders, who replied to the relevant question, reported that they did not have any occupation other than moneylending. Most of the village moneylenders who responded stated that they were in the business for a considerable time. Those who reported that

they were in the business for a period of five years or less accounted for only about 13 per cent of the total who replied to the question. On the other hand, about 32 per cent of the village moneylenders were in business for more than 25 years. Of those who replied to the relevant question, 12 per cent reported that they advanced loans against standing crops; about 11 per cent reported that they advanced loans against harvested crops and produce. In some regions, especially in Rajasthan and the Western Cotton region, a relatively high proportion of the village moneylenders reported that they gave such advances. Most of the village moneylenders in Bihar, Madhya Bharat, Vindhya Pradesh and Rajasthan, who answered the relevant question, stated that they advanced grain loans. Most of the village moneylenders reported that they ascertained the purpose for which loans were advanced. About half the village moneylenders who replied to the question said that they kept a watch over utilization of the loans. More than three-fourths of the village moneylenders reported that they stipulated a definite period for the repayment of the loan. About half the village moneylenders who answered the relevant question reported that more than 25 per cent of their loans were repaid after the expiry of the stipulated period. According to nearly three-fourths of the village moneylenders who replied to the relevant question, less than 10 per cent of the loans advanced to agriculturists resulted in litigation. Only a small proportion of the village moneylenders reported that they accepted deposits.

21.16 About 13 per cent of the urban moneylenders reported that they did not advance loans to agriculturists. Some moneylenders gave inconsistent answers. The remaining moneylenders, accounting for nearly 75 per cent of the urban moneylenders who responded, gave relevant answers to the questions regarding clientele and also reported that they advanced loans to agriculturists. In all the regions except the West Coast, agriculturist clientele formed more than half of the total clientele in the case of more than half of these urban moneylenders. In the Punjab-PEPSU region, 76 per cent of the urban moneylenders who financed agriculturists reported that their agriculturist clientele formed more than three-fourths of their total clientele. About 41 per cent of the urban moneylenders who replied to the relevant question reported that they did not usually advance to an agriculturist a sum of more than Rs 500 even against sound security. In some of the regions in the South, a comparatively high proportion of the moneylenders reported readiness to advance sums exceeding Rs 2,000 to agriculturists against sound security. The practice of advancing loans against standing crops or harvested crops and produce appeared most prevalent in the Punjab-PEPSU and the North Deccan regions. Urban moneylenders in 50 districts reported that they advanced grain loans; the proportion of urban moneylenders who reported that they advanced grain loans was relatively high in most of the districts of Rajasthan, Madhya Pradesh and Madhya Bharat. While more than three-fourths of the urban moneylenders who answered the relevant question said that they ascertained the purpose for which loans were required, only about one-fifth of them reported that they watched the actual utilization of loans. A large proportion of the urban moneylenders reported stipulating a definite period for repayment of loans. A good number of the urban moneylenders who replied to the relevant question reported that a fairly

high proportion of the loans was repaid within the stipulated period. About 14 per cent of the urban moneylenders who replied to the relevant question reported that they accepted deposits.

21.17 The total number of indigenous bankers who co-operated in the enquiry was not large and these indigenous bankers were distributed unevenly over the various regions. A scrutiny of the completed questionnaires received from the field staff also indicates that in many cases several items were left unanswered, while in some cases indigenous bankers either openly refused to give information relating to deposits, *hundis*, owned funds, borrowed funds, etc., or they gave some figures relating to deposits and owned funds which were obviously incorrect. Some other questions in the questionnaire, however, appeared to have been answered relatively more consistently, and an attempt was made to analyse these data.

21·18 About two-fifths of the 199 indigenous bankers who responded to the questionnaire reported that they were also traders in agricultural commodities, while nearly one-fifth said that they were also general merchants and about one-fourth reported that they were also brokers or commission agents or both; about one-tenth reported that they were also goldsmiths and jewellers, while about one-sixth reported that they were also cultivators, or owners of factories or processing plants, or had other occupations. About half the indigenous bankers who replied to the relevant question reported that they were dealing with agriculturists. In the districts of Madhya Pradesh, Madhya Bharat and Rajasthan, agriculturist clientele accounted for the major proportion of the total clientele of indigenous bankers. From the data, it appears that the financing of village moneylenders and traders by indigenous bankers for trade in agricultural commodities was being done on a large scale only in some areas like Rajasthan. Financing of village moneylenders and traders through issue of demand *hundis* was reported by some indigenous bankers in the districts of Rajasthan. Issue of demand or usance *hundis* for financing these clientele was reported also by many indigenous bankers in Malabar. In most other districts, very few indigenous bankers reported that they dealt in *hundis* for financing village moneylenders or traders.

21.19 Of the 89 indigenous bankers who said that they financed village moneylenders and traders, 69 reported cash credit arrangements with them. Of those who responded to the question regarding interest rates charged on cash credit, about one-fourth reported that they charged interest at rates varying from 3 to 6¼ per cent; about two-thirds said that they charged rates varying from 6¼ to 12½ per cent.

21.20 In response to the questions relating to the financial position, only half the indigenous bankers responding gave figures relating to the volume of deposits with them as on 30 September 1951 or on 31 March 1952 or as on both the dates. Among the indigenous bankers who reported deposits, nearly one-third reported current deposits, while slightly over one-fifth reported not only current but also savings and fixed deposits. Savings deposits were reported chiefly by indigenous bankers in

Chittorgarh and Quilon and fixed deposits, chiefly by those in Chittorgarh and Malabar. A relatively large number of indigenous bankers from many districts reported that traders were their depositors. Interest rates offered by indigenous bankers on deposits generally varied from 3 to 6¼ per cent ; in a few districts some indigenous bankers reported that interest rates between 6¼ and 12½ per cent were being offered by them on deposits. About two-fifths of the responding indigenous bankers reported that they were dealing in *hundis;* of these, slightly over three-fourths reported dealing in demand *hundis* and about one-third, in usance *hundis.* Two-thirds of the indigenous bankers replied to the question asking for information as to whether they kept separate accounts for banking business as distinguished from their other business; of these, about half said that they did not keep separate accounts for banking business.

21.21 Borrowings from and debt owed to agriculturist moneylenders by cultivators were sizeable in the South Deccan and the East Coast regions where more than half the borrowings from all agencies and more than half the debt owed to all agencies were accounted for by agriculturist moneylenders. In relation to non-cultivators, agriculturist moneylenders were reported to be relatively more important in the North Deccan, South Deccan and East Coast regions.

21.22 Of the total borrowings of selected cultivators from agriculturist moneylenders, about 30 per cent was for long-term agricultural purposes and about 25 per cent for long-term consumption purposes. About 18 per cent of the total borrowings from the agency was for short-term consumption purposes and about 13 per cent for short-term agricultural purposes. The relative importance of long-term agricultural purposes in the case of borrowings from this agency was next only to that in the case of borrowings from Government and landlords. Short-term agricultural and long-term consumption purposes were also relatively more important in the case of borrowings from agriculturist moneylenders as compared to borrowings from most other agencies. The agency supplied about half the total finance for repayment of old debts. The variations from region to region in the relative importance of the different types of finance in the total finance supplied by agriculturist moneylenders were generally of a small order. In general, long-term agricultural and long-term consumption were the most important purposes for which borrowings were contracted from this agency in the different regions.

21.23 The selected cultivators in 63 districts reported that they owed debt to agriculturist moneylenders. In the large majority of these districts, the major portion of the debt owed to agriculturist moneylenders was unsecured. In about one-fourth of the selected districts, debt against bullion and ornaments was reported to have been owed to agriculturist moneylenders; the proportion of debt thus secured was more than 10 per cent only in five districts. In 35 districts, debt against immovable property was reported. In several regions the proportion of debt owed against the security of immovable property was larger in the case of agriculturist moneylenders than in the case of professional moneylenders. Debt owed to agriculturist moneylenders against simple mortgage was reported in 23

districts and such debt accounted for more than 30 per cent of the total debt owed to the agency in four districts. Debt owed to this agency against mortgage by conditional sale was reported in five districts; in Broach district, the major proportion of the debt owed to this agency was secured against mortgage by conditional sale. Debt against usufructuary mortgage was reported in 20 districts; in 11 districts the debt thus secured accounted for more than 10 per cent of the total debt owed to agriculturist moneylenders.

21.24 Of the total borrowings from agriculturist moneylenders, borrowings at rates of interest varying from 18 to 25 per cent accounted for substantial proportions in the Western Uttar Pradesh, Punjab-PEPSU, Rajasthan and Central India regions. In most of the southern regions, a relatively smaller proportion of the total borrowings from agriculturist moneylenders was at rate of interest 18 per cent or more.

21.25 Data for all the districts together show that each of the purposes, viz., long-term agricultural, short-term consumption, long-term consumption and 'other' purposes, accounted for about a fifth of the total borrowings of selected cultivators from professional moneylenders. Slightly over 10 per cent of the borrowings from the agency was for short-term agricultural purposes and about 9 per cent for long-term non-agricultural purposes. The relative importance of 'other' purposes and long-term non-agricultural purposes in the borrowings from this agency was the greatest as compared to all other agencies. The relative importance of consumption purposes in the borrowings from this agency was roughly of the same order as in the total borrowings from all agencies. The regional percentages show some variations from the all-India averages; the preponderance of consumption purposes in the regions of the East, agricultural purposes in Eastern Uttar Pradesh and Western Cotton regions and non-agricultural purposes in South Deccan and Central India are the marked divergences.

21.26 Unsecured debt accounted for more than half the debt owed to professional moneylenders in most of the districts; the proportion was more than 90 per cent in Rajasthan, Central India and the East Coast regions. About 4 per cent of the debt owed to professional moneylenders, as against about 1 per cent in the case of agriculturist moneylenders, was secured against bullion and ornaments; in six districts, more than 30 per cent of the debt owed to professional moneylenders was secured against bullion and ornaments. Simple mortgage was relatively more important than other types of mortgage in most regions; in 37 districts, debt owed to professional moneylenders against simple mortgage was reported. In seven districts debt owed to this agency against mortgage by conditional sale was reported; the proportion of debt against such mortgage was the highest in Kolhapur.

21.27 Borrowings at rate of interest 35 per cent per annum or at higher rates, from professional moneylenders, accounted for about 20 per cent or more of the total borrowings from them in the Bihar-Bengal and the Orissa and East Madhya Pradesh regions. Interest rates charged by professional moneylenders were also high in the Eastern and Western Uttar Pradesh and the Central India regions. The

rates of interest charged were relatively low in most of the districts in Peninsular India.

21.28 The average borrowings from traders and commission agents as well as the proportion of borrowings from them to the total borrowings from all agencies were generally high in the case of the big and the large cultivators as compared to the medium and the small cultivators. In many districts, the proportion of the borrowings accounted for by traders was larger in the case of non-cultivators than in the case of the small cultivators. The average amount borrowed by non-cultivators was also at a higher level as compared to the small cultivators. About 50 per cent of the borrowings of the big cultivators in the West Coast region was accounted for by traders.

21.29 Of the borrowings of selected cultivators from traders, 28 per cent was for short-term consumption purposes and 27 per cent for long-term agricultural purposes. Short-term agricultural purposes accounted for 15 per cent, long-term consumption purposes for 11 per cent and 'other' purposes for 12 per cent, of the total borrowings from this agency. Borrowings for short-term purposes assumed greater importance in borrowings from this agency than in borrowings from other agencies. The regional data show variations in the relative importance of the various types of finance in the total finance obtained from traders. Consumption purposes were generally the most important in the Eastern and Northern regions. Agricultural purposes were of great importance in most of the regions of the South.

21.30 Of the total value of produce sold, the proportion that was sold to traders and commission agents varied from less than 5 per cent in Sambalpur to more than 90 per cent in districts such as Hassan and Malabar. In the Assam-Bengal, Bihar-Bengal and Eastern Uttar Pradesh regions, less than 50 per cent by value of the produce sold was sold to traders and commission agents; the corresponding percentage was as high as 85 in the Western Cotton region and about 90 in the South Deccan and the West Coast regions. The average value of crops and fodder sold to traders and commission agents per cultivating family was about Rs 500 in the Western Cotton region; it was less than Rs.100 in the Eastern Uttar Pradesh, Rajasthan and the Orissa and East Madhya Pradesh regions.

21.31 The commodity was delivered in the village in the case of a large proportion of the sale transactions entered into with traders. In the case of the upper strata cultivators, 90 per cent or more of the sale transactions in 18 districts and 60 to 90 per cent of the sale transactions in 25 districts were such that the commodity was delivered in the village. On an average, in about 10 per cent of the total number of transactions about which information was collected, the cultivators reported that they owed money to the trader to whom they sold their produce, prior to the sales; owing money prior to sale was a more common feature of the situation than borrowing money in anticipation of sale or of receiving advance before delivery. However, all the three practices moved together, in the sense that higher proportions

of one were generally accompanied by somewhat higher proportions of the others. The extent to which a close and continuous link of credit transactions with sale to traders was established was relatively large in the Rajasthan, the West Coast and the Western Cotton regions.

21.32 Of the sale transactions with traders regarding which information is available, the settlement of price was at the time of delivery in respect of 83 per cent of the cases. In a few regions such as Eastern Uttar Pradesh, Punjab-PEPSU, Orissa and East Madhya Pradesh and the Western Cotton region, in about 20 to 30 per cent of the sale transactions entered into with traders, the price was settled in advance of the delivery.

21.33 A fairly large proportion of the borrowings of selected cultivating families from traders and commission agents was free of interest. The proportion exceeded 70 per cent in the Bihar-Bengal and West Coast regions, and was of the order of 40 to 50 per cent in Orissa and East Madhya Pradesh, Western Cotton region and North Deccan. On the other hand, borrowings from traders at 18 per cent or more formed very high proportions of the total borrowings from them in Eastern Uttar Pradesh and Central India regions.

21.34 More than 80 per cent of the debt owed to traders and commission agents was unsecured in 40 out of the 50 districts in which the selected cultivating families reported that they owed debt to this agency. Debt due to traders against bullion and ornaments was reported in only eight districts; in four of these districts more than 10 per cent of the debt owed to traders was against this security.

21.35 Borrowings from commercial banks were reported by selected cultivators in only 15 districts. In six of these districts, borrowings from this agency for short-term agricultural purposes were reported, and in all of these except Quilon, borrowings for this purpose accounted for the major proportion of the total borrowings. In Quilon, short-term non-agricultural purposes accounted for the largest share of the borrowings from the agency. Short-term and long-term agricultural and long-term consumption purposes were also important in the borrowings from commercial banks in this district. Borrowings for long-term agricultural purposes accounted for major proportions of the total borrowings in three districts, namely, Hoshiarpur, Bhilsa and Bilaspur. In Sirmoor district, the entire borrowings from commercial banks were for long-term non-agricultural purposes. Repayment of old debts and other purposes were not generally important in the borrowings from commercial banks, while consumption purposes, particularly short-term consumption purposes, were important in some districts.

21.36 From the data collected through quarterly Surveys of Bank Advances conducted by the Reserve Bank of India, it is observed that as on 30 June 1951, the amount advanced for 'agriculture' was about 6 per cent of the total in the case of non-scheduled banks and about 3 per cent of the total in the case of scheduled banks. The non-scheduled banks, whose total advances formed nearly 7 per cent of the total

advances of all the reporting commercial banks, accounted for 13 per cent of the advances given by the reporting commercial banks for 'agriculture'. Of the advances by all the reporting commercial banks for 'agriculture', which amounted to Rs 18·3 crores, as on 30 June 1951, a substantial portion was for production of cash crops and only about Rs 1 crore was for production of food crops. The advances as on 31 March 1952 for wholesale trade in agricultural commodities by all the reporting commercial banks, which amounted to about Rs 121 crores, accounted for about 18 per cent of the total advances. Advances for wholesale trade in cotton, jute, oilseeds and sugar accounted for more than 13 per cent of the total advances given by all the reporting commercial banks.

21.37 The rates of interest charged by commercial banks, as reported by the selected cultivators in the intensive enquiry, varied generally from $3\frac{1}{2}$ to 7 per cent; in some of the districts substantial proportions of borrowings at rates from 7 to 10 per cent were reported. Borrowings from commercial banks at about 12 per cent were also reported in a few cases.

21.38 The borrowings of selected cultivators from commercial banks were mostly against the security of bullion and ornaments. About a fifth of the borrowings from this agency was against personal security. Immovable property was reported as security in respect of only a small proportion of borrowings from this agency.

21.39 The data collected through the quarterly Surveys of Bank Advances show that at the end of each quarter of 1951 and at the end of the first quarter of 1952, outstandings against agricultural land were less than 1 per cent of the total outstandings of all the reporting commercial banks; the corresponding proportion in the case of non-scheduled banks was slightly more than 3 per cent. Between 18 and 25 per cent of the advances by all the reporting commercial banks was secured against the pledge or hypothecation of foodgrains or other agricultural commodities. These data are not directly comparable with those collected in the Rural Credit Survey which relate to only 827 out of 1,164 commercial bank offices in the selected districts. Analysis of the returns received from banks or their offices in the selected districts reveals that the advances (outstanding as on 30 September 1951) for 'agriculture' against the security of agricultural produce were about 12 per cent of the total. Advances against bullion and other collateral constituted 55 per cent of the total, while clean advances accounted for 33 per cent.

21.40 The advances, as on 30 September 1951, by commercial banks for 'agriculture' in relation to the number of rural families, were relatively large (more than Rs 900 per thousand rural families) in the regions of the South, while in other regions (excluding the Assam-Bengal region where the average was, perhaps, pulled up largely by advances to tea plantations, which, by our definition, had been excluded from the 'demand' aspect of the Survey) advances per thousand rural families were relatively very small. The advances were less than Rs 10 per thousand rural families in the Eastern Uttar Pradesh and Rajasthan regions. These regional averages are generally in line with the data obtained from the 'demand' aspect of the Survey.

For instance, the average amount borrowed from commercial banks was the highest, as reported by rural families, in the South Deccan, and it is in this region (barring the Assam-Bengal region) that the average amount lent, as reported by commercial banks, was the highest. Among districts of the South Deccan region, the advances of commercial banks were particularly high in Coimbatore.

21.41 For purposes of description and analysis we have classified the rural credit structure and the various agencies which supply rural credit into three broad divisions, namely, Government, co-operatives and private agencies. Of these, Government cannot be considered as functioning like others and cannot be properly visualized as a system composed of a number of separate and independent agencies. Government has, however, fairly close connexions with the co-operative system. Apart from regulating and directing the system, it assists co-operative institutions at various stages with grants, subsidies and loans for specific or general purposes, and in many instances this assistance to co-operatives is of the utmost importance. The role of the Reserve Bank of India as supplier of funds to co-operatives may be considered as part of the governmental system also. It would, however, be more useful to keep distinct the role of Government from that of the Reserve Bank of India, *vis-a-vis* the co-operative system. As a general rule, it is the State Governments that render financial assistance to various types of co-operative institutions at different levels in the States. The Reserve Bank of India deals directly only with the apex co-operative credit organizations.

21.42 Within the co-operative system, the organizational structure is composed of independent or autonomous units, which, however, are joined together in one framework, both through State regulation and through internal organizational ties. There is a distinction of functions and jurisdictions and there is a tier of authorities or institutions working at the primary, intermediate and apex levels. In the credit system, the usual division is that of a primary society, a central bank or banking union for a district or a smaller area and the apex bank at the state level. However, the whole of the co-operative system is not fully integrated for purposes of finance, and co-operative agencies other than those dealing in credit often provide their own finances to a large extent and sometimes also perform financing functions. This happens in particular with purchase and sale or marketing societies. In many instances, the development of these organizations took place independently of, and even went ahead of, the development of corresponding credit organizations. As a result, the marketing organizations not only found a great deal of their own finance but also undertook to provide finance to members, including production finance, in addition in some cases to processing or marketing finance. This was perhaps found necessary in order to ensure members' loyalty and give them the same facilities and assistance as those afforded by traders.

21.43 The financial structure of the private credit agencies is much more complex. The structure has the moneylender and the trader chiefly as the primary units and has other moneylenders, the indigenous banker and the commercial bank as units at the higher level. There is a much greater mixture of functions in this

system, so that the commercial banks may have direct relations with traders and cultivators or may finance an indigenous banker who finances a moneylender who finances a trader who finances, in the ultimate analysis, the cultivator. All these relationships are difficult to unravel or express quantitatively. The private agencies operate as a fairly closely knit system and the commercial banks including the Imperial Bank of India stand at the back of this private system providing a large measure of the finance and the facilities with which it operates. The Reserve Bank comes in contact with the private agencies as a regulatory organization and, in particular instances, as an organization which supplies funds. Barring emergencies, the major part of the funds advanced by the Reserve Bank is to the Imperial Bank and a small number of the larger commercial banks. However, it is Government, the nationalized Reserve Bank and the State-associated Imperial Bank that together furnish the primary remittance and other facilities with which the whole of the credit system, including the private agencies, operates.

21.44 There is little relationship of the private system with the co-operative system at present. In a small measure, co-operative credit organizations, especially the district central banks and the apex banks, may have overdraft and other arrangements for financial accommodation with commercial banks, especially with the Imperial Bank. Private agencies may also profit from the operations of the co-operative credit system. In some States, the extent of the advantage derived and advances obtained by private agencies, in particular by traders and in some cases even by moneylenders, from the co-operative system may be quite substantial. This would not appear to be a normal relation but what might be called an aberration in the operation of the co-operative credit system.

21.45 The village and the urban moneylenders, the traders and the indigenous bankers who responded to the enquiry were asked questions regarding their sources of finance in case they were not able to meet the demands on their funds from their own resources. Of the 622 village moneylenders responding, 28 per cent said that they resorted to borrowing. Of these, more than three-fourths said that they borrowed from other moneylenders, presumably the urban moneylenders. Four per cent said that they borrowed from commercial banks and about 6 per cent said that they borrowed from indigenous bankers. Of the 2,854 urban moneylenders who responded, about 34 per cent reported borrowings. About one-third of those who had to borrow said that they borrowed from commercial banks; about 9 per cent reported that they got accommodation from indigenous bankers and about 70 per cent said that they borrowed from other moneylenders. Of the urban moneylenders who had to borrow, 50 per cent or more in 27 districts and 70 per cent or more in 16 of these, reported that they borrowed from commercial banks. In 12 districts, from 25 to 50 per cent of the total number of urban moneylenders who had to borrow reported that they borrowed from commercial banks, while in 11 districts less than 25 per cent of the urban moneylenders said that they borrowed from this agency. Urban moneylenders in 31 districts said that they borrowed from indigenous bankers. In 4 of these 31 districts, 5 or more of the urban moneylenders who responded reported that they

obtained credit from indigenous bankers. In only four districts more than five of the urban moneylenders said that they got accommodation through drawing of *hundis*.

21.46 Of the 5,047 traders who co-operated in the enquiry, 64 per cent said that they had to resort to borrowing. Of the traders who had to resort to borrowing, 48 per cent said that they borrowed from commercial banks, 7 per cent borrowed from indigenous bankers and 45 per cent, from moneylenders. In 40 districts, 50 per cent or more of the traders said that they borrowed from commercial banks. In five districts, the proportion of traders who reported that they borrowed from commercial banks was less than 10 per cent, while in seven districts, none of the traders reported borrowing from commercial banks ; these 12 districts are from Madhya Bharat, Rajasthan, Orissa, Bhopal, Tripura, Saurashtra, West Bengal and Assam. In the districts falling within the first four States, the moneylender was a relatively more important credit agency for traders, while in the districts from the last four States, wholesalers and export firms were generally the important credit agencies for traders. In 15 districts more than 10 per cent of the traders who had to borrow said that they borrowed from indigenous bankers. In 43 districts 10 per cent or more of the traders who had to borrow reported that they borrowed from wholesalers and export firms. However, in only 7 out of the 43 districts, more than 50 per cent of the traders reported that they borrowed from this credit agency. Wholesalers and export firms as sources of credit appeared to be relatively more important in the Assam-Bengal and the Bihar-Bengal regions. In 28 districts, manufacturing and processing concerns were reported as a source of finance for traders ; in three districts, namely, Kurnool, Bilaspur and Sorath, more than 10 per cent of the traders said that they borrowed from this source.

21.47 Examining the situation in the highly monetized districts in which indigenous bankers continued to be important, it is found that in Ahmedabad indigenous bankers financed a much larger number of responding traders and moneylenders than that financed by commercial banks. In Coimbatore, while the number of traders financed by indigenous bankers was not much less than the number financed by commercial banks, moneylenders from whom the largest number of responding traders borrowed were themselves financed by commercial banks. In Malabar, the position was similar to that in Coimbatore. Further, many of the indigenous bankers themselves reported borrowing from commercial banks. It thus appears that commercial banks' finance was available in these districts at all stages, and that except in Ahmedabad it was in fact more important than that offered by indigenous bankers.

21.48 About one-sixth of the indigenous bankers replying to the relevant question reported loans from commercial banks outstanding as on 31 March 1952. Another one-sixth reported loans either from other indigenous bankers or other individuals. Of the indigenous bankers who reported that they had to resort to borrowing, about two-fifths reported that they borrowed from commercial banks. About one-sixth reported that they borrowed from other indigenous bankers and slightly less than half reported that they borrowed from other moneylenders. In

Rajasthan, out of the 39 indigenous bankers who said that they could not meet the demand for funds except through borrowing, only 7 (of whom 6 were from Jaipur) reported that they could borrow from commercial banks.

21.49 There was no known clear-cut and uniform method of distinguishing indigenous bankers from other moneylenders, available to respondents. It may, therefore, happen that many of the traders and moneylenders who replied to our question about relations with indigenous bankers failed to identify indigenous bankers as distinct from other moneylenders. There is no way of making allowance for this possible confusion between the two categories. However, if failure to distinguish between the two classes was large and general, this would merely indicate that the operations of indigenous bankers were not, in those regions or for those classes, distinct enough from those of other moneylenders for the difference between the two to be generally recognized or commonly known. The criteria indicated by us to distinguish the two agencies also do not fully help in a clear demarcation. Deposits have been reported as being accepted by a small number of even village moneylenders, and several of the urban moneylenders not recognized as indigenous bankers reported acceptance of deposits. The prevalence of *hundi* business also cannot necessarily be associated with, or considered to be necessarily indicative of, the operations of indigenous bankers.

21.50 The main impression left by a study of the data relating to the operations of indigenous bankers is that they do not comprise a distinct class with well marked functions, at least so far as the rural credit structure is concerned. Not only do they, to a large extent, combine indigenous banking with other economic activities, notably trading, and fail to distinguish clearly between their various activities, but also in the finance of cultivators, non-cultivators, traders or moneylenders, they do not perform any function which is not already being performed on a larger scale by either moneylenders or commercial banks. A comparison of their operations with those of commercial banks is specially significant. By and large, indigenous bankers are prominent and noted as such chiefly in areas where for one reason or another commercial banking has not made much progress. There are three exceptional areas indicated in our Survey, where they seem to play an important part in spite of the development of commercial banking ; there is firstly the area of the South-West represented in our Survey by the districts of Malabar and Quilon, where they are important. It may, however, be noted that financial dealings as a whole and the operations of all private credit agencies are particularly active in this region ; the activity of indigenous bankers here is thus a symptom of general activity of all agencies, old and new. Another area is that represented in our sample by Coimbatore district. In this area indigenous bankers are important for financing traders and other moneylenders ; but they themselves draw funds largely from commercial banks. The third such area of importance in relation to the operations of indigenous bankers is that of Gujerat and Saurashtra. In the selected districts of this area, especially Ahmedabad, indigenous bankers appear to play an exceptionally important role. Barring these exceptional areas, the progress of commercial

banking is seen to result in a decline in the business and importance of indigenous bankers, and their continued active existence is confined to areas which are, in particular, backward in the development of modern banking facilities.

21.51 The element of non-response and the return of obviously inconsistent information were much more prominent in the Survey data as obtained from indigenous bankers than those obtained from any other group or class of people that was contacted during the Survey. The reluctance of the indigenous bankers to disclose information that in any organized institutional set-up would be expected to be published as a matter of course, though not unexpected, is significant from the point of view of their organizational future. In a number of cases, the borrowing rates of indigenous bankers, as indicated by their report of rates offered on deposits, were exceptionally high. These very high reported rates of interest on deposits may actually be the result of their business in this regard not being so much acceptance of deposits as a banker, that is for re-lending, but rather of acceptance of deposits as of funds required for use in own business. The high rates can be justified only on this hypothesis. Their connexion with rural credit as such is somewhat thin. Many non-scheduled banks are perhaps very much more active than the indigenous bankers in financing agriculturists directly.

21.52 The trend appears to be towards a decrease in their importance with the progress of modern credit institutions. They appear likely either to specialize by taking on more and more exclusively trading or other functions, or to become mere urban moneylenders, or in exceptional cases to transform themselves into non-scheduled banks; it is, therefore, not possible to point out to any logical place for them in the functioning of a rural credit system in the actual present or in any reorganized future.

21.53 The operations of individual private credit agencies could not be studied in detail in relation to such features as specially favoured purposes or periods of loans. Firstly, it was not possible for us to study through a set of case studies the terms and conditions imposed by private creditors on the debtors for individual loans. Further, it is clear that private credit agencies in general are much less keen about laying down terms and conditions of loans in specific detail. Government finance is ordinarily available only to defined categories of people for defined purposes. Co-operative finance for various purposes and under various conditions is also limited as to amounts and periods. There is little need for private agencies to limit their finance in a similar manner to specified purposes. Thus, though a number of responding individual moneylenders and others said that they enquired into the purpose of the loan, the enquiry had no special significance or after-effects. The private agency is interested in the total creditworthiness, from its point of view, of a debtor and need keep only a general watch on his operations; the private agency cannot and certainly does not function as an agency for encouraging or compelling discriminating use of credit or for directing expenditure of measured amounts of credit in definite directions. Further, there is no need for the private agency to have a regular system of varying terms and conditions of repayment suited to particular types of

purposes and periods. Just as the total loan would be considered by the private agency as a whole and need not be split up into loans for different purposes, so the total loan may well be considered as a continuing credit line not necessarily terminating in different portions at different periods. Therefore, the lack of specific detail in our information regarding terms and conditions, and as related especially to purposes and periods, may not be the result so much of unwillingness to give information on the part of moneylenders as a reflection of the manner in which they operate.

21.54 Our data exhibit little real difference in the status and operations of the agriculturist moneylender and those of the professional moneylender. There appears considerable variation in the importance of one or the other agency in different parts of the country. This may have something to do partially with the prosperity of the top strata of agriculturists in particular regions and partially with the type of tenancy, moneylending and other legislation prevalent in the State. But the data about actual operations and the reports of methods of working reveal no major differences between the agriculturist moneylenders and the professional moneylenders. It is difficult to say what importance is to be attached and what lesson is to be drawn from the notable part played by 'relatives' as revealed by the Survey data. Relatives making interest-free loans appear as a very important credit agency in particular districts and are a generally significant credit agency almost all over the country. There are a number of possible interpretations of the apparently increased importance of relatives as a credit agency. Firstly, it may be interpreted as a result of the somewhat better or more prosperous conditions of cultivators during the recent past. These relatively prosperous conditions may have left surplus resources in the hands of the better off among rural families which they naturally make available to relatives in need. It may, on the other hand, also be thought to be a result of the operations of moneylending legislation. Because the moneylending legislation has contracted credit or because it makes moneylenders and others much more cautious than before to lend to rural families, these families have inevitably to fall back as far as it is possible for them to do so on credit available with relatives, and when this credit is obtained from relatives, they either do not charge interest because of considerations of social propriety, or do not formally charge it. The last possibility suggests that a part of the debt attributed to relatives may in fact be not debt obtained interest-free from relatives, but debt regarded as interest-free from relatives or others in order to circumvent the provisions of moneylending legislation. It is not possible to say how much of the reported debt owed to relatives would represent a true report and what part would be due to a desire to evade moneylending legislation. However, considering the circumstances in which our data were collected, inclusion in loans by relatives of interest-bearing moneylender loans is not likely to be large.

21.55 The large majority of complaints made against the operations of private credit agencies are such that no enquiry like our Survey could hope to shed light on them. Wherever regulations exist, and moneylending legislation of one type or another is now common to almost all States in India, the devices adopted by moneylenders to obtain extra gains are usually illegal. All such practices as those of enter-

ing a larger amount in the loan bond than the sum actually advanced, entering into a bogus sale or other transaction to evade the law, charging in practice in a variety of devious ways higher rates than those entered in the bond, etc., are all commonly reported practices. Because most of these practices are illegal, data regarding their existence and extent cannot possibly be ascertained by an enquiry such as the Rural Credit Survey. However, that legislation is powerless to influence actual operations of private agencies was fully proved from the returns made by debtors, of the rates of interest charged by moneylenders. The information in regard to these was obtained in the intensive enquiry together with all other details about the loans such as amounts, time of contracting, the agency from whom contracted, etc. There is no reason to believe that these returns are not on the whole reliable or that they do not present a true picture. As the information was asked for from the debtor, he would, it is expected, give the actual stipulated rate between him and the creditor and would have no inducement specially to lower it. On the other hand, there is no reason why the debtors should have reported paying higher rates of interest than those actually charged. The information yielded by these replies may, therefore, be taken to represent the actual interest charge made by moneylenders. It may not, of course, include other charges and deductions and represent the total gains, including those of illegal practices, obtained by the moneylenders.

21.56 The data on interest rates by themselves are sufficient to indicate the general evasion of legal regulations relating to private moneylending that takes place throughout the country. The data collected in the Survey indicate that a fairly high proportion of the total borrowings of selected cultivators from private credit agencies was at rates higher than the maximum interest rate as stipulated in the Acts of the respective States. The borrowings from traders and commission agents, agriculturist moneylenders, professional moneylenders and landlords, at rates higher than the legal maximum, exceeded 60 per cent of the total borrowings from these agencies in Bihar, Orissa, West Bengal, Hyderabad, Madras, Madhya Pradesh and PEPSU. In almost all the States borrowings at rates of interest higher than the legal maximum were reported. That the legal rates of interest should be so universally ignored and that their disregard should occasion little comment is itself of very considerable importance in relation to the study of existing conditions of rural credit and the possibility in future of regulating or organizing it in private hands.

APPENDIX

TABLE I—DATA RELATING TO CREDIT TRANSACTIONS AND SPECIFIED ITEMS

[Amount in rupees

Region/District	ALL FAMILIES										
						FAMILY EXPENDITURE					
	Borrowings during the year	Repayments during the year	Outstanding debt	Capital expenditure in agriculture	Capital expenditure in non-farm business	Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical and educational expenses and litigation charges	Financial investment expenditure
	1	2	3	4	5	6	7	8	9	10	11
Assam-Bengal											
Lakhimpur	65	12	64	38	2	**307**	28	142	50	88	1
Cachar	88	12	137	118	–	**279**	45	123	61	50	–
Kamrup	142	17	291	124	69	**390**	62	120	83	125	4
Tripura	106	12	173	209	19	**244**	36	65	70	72	5
Jalpaiguri	78	18	75	49	1	**124**	5	47	33	39	–
Bihar-Bengal											
Malda	114	49	111	102	34	**283**	98	94	41	51	2
Burdwan	96	20	208	61	13	**341**	66	113	58	104	1
Midnapore	104	19	126	159	7	**345**	84	105	49	108	1
Bhagalpur	239	54	365	130	1	**317**	64	88	99	66	–
Monghyr	149	9	267	88	1	**300**	51	83	100	65	1
Hazaribagh	51	8	88	51	–	**321**	67	68	135	51	64
Palamau	109	3	172	89	17	**210**	45	73	49	42	–
Mirzapur*	97	26	158	30	2	**114**	20	35	37	21	–
Eastern Uttar Pradesh											
Ballia	108	23	264	52	7	**215**	31	52	78	53	9
Deoria*	273	123	486	83	8	**320**	99	75	83	62	3
Jaunpur*	157	30	250	66	29	**238**	36	66	94	42	–
Sultanpur	89	17	149	40	3	**171**	24	58	64	24	–
Sitapur	39	6	55	66	16	**169**	19	59	75	17	–
Western Uttar Pradesh											
Kanpur*	177	16	215	160	13	**410**	59	110	165	77	–
Hamirpur*	119	28	218	122	3	**310**	45	117	110	38	–
Shahjahanpur	246	120	235	137	45	**311**	84	82	101	43	–
Agra	255	52	407	187	35	**531**	99	166	206	60	1
Aligarh*	148	51	208	172	31	**445**	55	166	138	87	–
Nainital*	734	393	1,059	165	41	**507**	163	149	126	69	9
Meerut*	260	51	331	287	79	**621**	148	169	228	76	1
Punjab-PEPSU											
Sirmoor	98	31	206	81	5	**392**	74	207	83	28	1
Hoshiarpur	201	25	291	130	21	**466**	26	189	146	105	9
Jullundur	135	22	282	76	29	**304**	45	95	96	67	4
Hissar	113	22	344	47	12	**284**	22	131	118	14	1
Bhatinda	363	123	1,169	216	27	**658**	44	230	306	78	2
Mohindergarh	382	42	822	201	5	**564**	49	303	161	51	1
Rajasthan											
Churu	131	8	223	75	2	**442**	6	363	69	4	–
Barmer	249	12	495	156	12	**352**	17	195	119	19	–
Sirohi	27	1	349	71	21	**207**	12	144	40	11	–
Jaipur	273	31	603	250	3	**389**	69	196	104	20	–
Sawai Madhopur	312	69	593	237	20	**397**	66	196	124	13	–
Chittorgarh	168	19	404	106	9	**341**	32	208	88	13	–

Note :—Data presented relate to those collected in the General Schedule
* Data for 'all families' include those for a few families not included

OF EXPENDITURE OF ALL FAMILIES AND OF NON-CULTIVATING FAMILIES

per family]

Region/District	NON-CULTIVATING FAMILIES										
						FAMILY EXPENDITURE					
	Borrowings during the year	Repayments during the year	Outstanding debt	Capital expenditure in agriculture	Capital expenditure in non-farm business	**Total**	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods	Death, marriage and other ceremonies	Medical and educational expenses and litigation charges	Financial investment expenditure
	12	13	14	15	16	17	18	19	20	21	22
Assam-Bengal											
Lakhimpur	6	2	10	3	–	**149**	8	96	23	22	–
Cachar	56	1	99	47	–	**147**	33	84	16	14	–
Kamrup	133	25	266	43	36	**361**	94	86	79	102	6
Tripura	25	1	48	15	5	**78**	20	20	13	25	17
Jalpaiguri	21	1	31	8	5	**75**	8	26	15	26	–
Bihar-Bengal											
Malda	72	13	78	18	31	**168**	48	58	27	34	4
Burdwan	40	3	135	10	1	**132**	25	56	14	38	–
Midnapore	34	3	38	2	5	**103**	14	48	12	29	–
Bhagalpur	132	31	193	–	–	**156**	27	54	57	18	–
Monghyr	59	2	115	1	2	**142**	21	53	51	17	–
Hazaribagh	14	–	29	4	–	**64**	1	28	34	1	–
Palaman	39	–	63	1	7	**90**	11	51	23	4	–
Mirzapur	21	5	49	–	1	**38**	6	19	11	2	–
Eastern Uttar Pradesh											
Ballia	82	18	178	2	6	**114**	12	30	52	20	10
Deoria	83	17	121	2	28	**229**	41	59	53	76	24
Jaunpur	90	18	152	8	66	**139**	16	54	52	17	–
Sultanpur	37	7	58	–	7	**87**	15	25	40	6	–
Sitapur	9	1	19	2	82	**66**	7	32	18	8	–
Western Uttar Pradesh											
Kanpur	56	11	82	11	10	**140**	21	50	49	20	1
Hamirpur	56	14	121	3	3	**140**	12	63	51	14	–
Shahjahanpur	77	30	89	3	35	**125**	27	45	33	21	–
Agra	119	27	194	4	37	**304**	50	109	113	33	–
Aligarh	88	29	137	24	22	**286**	40	116	90	40	–
Nainital	96	14	243	29	11	**311**	109	105	43	54	13
Meerut	143	33	199	10	90	**278**	45	98	105	30	–
Punjab-PEPSU											
Sirmoor	38	8	133	16	4	**190**	21	127	25	17	–
Hoshiarpur	102	4	215	9	24	**334**	16	110	140	68	18
Jullundur	103	23	219	7	35	**259**	40	76	85	58	3
Hissar	46	16	148	–	33	**137**	9	79	40	9	–
Bhatinda	233	55	822	34	32	**367**	26	138	154	49	–
Mohindergarh	167	17	474	7	1	**315**	–	205	77	33	3
Rajasthan											
Churu	8	2	12	4	–	**106**	–	106	–	–	–
Barmer	22	–	215	12	–	**182**	5	151	11	15	–
Sirohi	21	1	393	1	47	**231**	18	139	57	17	1
Jaipur	28	2	260	1	3	**171**	9	129	30	3	–
Sawai Madhopur	174	53	346	14	59	**269**	38	138	73	19	–
Chittorgarh	70	11	349	12	9	**292**	30	168	73	21	–

in respect of all families and non-cultivating families in the selected villages.
under either ' cultivating families ' or ' non-cultivating families '.

TABLE 2—DATA RELATING TO CREDIT TRANSACTIONS, SPECIFIED ITEMS

[Amount in rupees

Region/District	Size of cultivated holding per family (Acres)	Borrowings during the year	Repayments during the year	Outstanding debt	Capital Expenditure in Agriculture: Total	Capital Expenditure in Agriculture: Purchase of land	Capital Expenditure in Agriculture: Purchase of livestock	Capital Expenditure in Agriculture: Other capital expenditure in agriculture	Capital expenditure in non-farm business	Family Expenditure: Total	Family Expenditure: Construction and repairs of residential houses and other buildings	Family Expenditure: Purchase of durable consumer goods
	1	2	3	4	5	6	7	8	9	10	11	12
Assam-Bengal												
Lakhimpur	3·8	95	18	92	**57**	7	16	34	3	**388**	37	165
Cachar	3·6	100	17	151	**144**	91	40	14	–	**329**	50	137
Kamrup	6·4	145	14	301	**156**	35	95	26	82	**401**	49	134
Tripura	3·8	136	16	220	**281**	33	30	219	24	**306**	43	82
Jalpaiguri	4·4	87	21	83	**56**	35	16	5	–	**132**	5	50
Bihar-Bengal												
Malda	4·8	155	85	144	**185**	95	67	22	38	**397**	147	128
Burdwan	4·1	140	33	265	**102**	34	40	27	22	**504**	99	158
Midnapore	2·4	118	22	144	**191**	27	16	148	8	**394**	98	117
Bhagalpur	6·1	277	62	427	**177**	14	45	117	2	**376**	77	100
Monghyr	7·2	230	16	404	**166**	17	45	104	–	**441**	79	110
Hazaribagh	4·0	60	10	102	**62**	6	15	41	–	**380**	82	77
Palamau	5·7	126	4	200	**112**	6	21	84	20	**240**	53	79
Mirzapur	14·6	135	35	216	**45**	1	30	14	2	**154**	28	44
Eastern Uttar Pradesh												
Ballia	4·2	120	25	306	**76**	16	39	21	8	**263**	40	62
Deoria	3·8	288	131	515	**90**	6	44	40	6	**327**	104	77
Jaunpur	2·3	179	34	282	**85**	22	39	25	17	**270**	42	70
Sultanpur	2·8	94	18	158	**44**	3	27	14	2	**179**	25	62
Sitapur	3·8	44	7	62	**78**	1	61	16	2	**189**	21	64
Western Uttar Pradesh												
Kanpur	6·6	213	17	254	**206**	11	127	68	14	**490**	69	129
Hamirpur	16·7	157	37	278	**194**	13	108	73	3	**412**	65	149
Shahjahanpur	5·3	272	134	258	**158**	27	80	51	47	**340**	93	88
Agra	5·1	302	61	480	**250**	11	175	64	35	**610**	116	186
Aligarh	7·3	206	72	276	**320**	8	187	126	41	**609**	70	215
Nainital	5·1	258	121	810	**274**	35	110	128	31	**625**	203	175
Meerut	9·7	335	63	415	**464**	38	247	178	74	**841**	216	214
Punjab-PEPSU												
Sirmoor	4·0	109	36	221	**93**	4	55	34	6	**432**	85	222
Hoshiarpur	9·9	277	41	349	**224**	7	132	85	20	**568**	34	250
Jullundur	10·8	254	19	519	**337**	20	189	129	6	**475**	64	165
Hissar	26·6	138	25	418	**64**	5	56	4	4	**339**	26	150
Bhatinda	22·0	436	161	1,363	**317**	28	188	101	24	**820**	54	281
Mohindergarh	13·6	409	46	866	**225**	9	164	52	5	**595**	56	315
Rajasthan												
Churu	47·9	146	9	248	**84**	–	53	31	2	**482**	7	394
Barmer	53·4	268	13	518	**167**	3	107	58	13	**366**	18	199
Sirohi	21·0	30	1	329	**103**	–	15	88	10	**196**	9	146
Jaipur	14·0	359	41	745	**339**	23	147	169	3	**466**	90	220
Sawai Madhopur	9·1	337	71	636	**276**	7	108	161	13	**420**	71	204
Chittorgarh	10·2	210	22	428	**147**	24	33	90	8	**362**	33	225

Note :—Columns 1 to 15 refer to data collected in the General Schedule relating to all the cultivating families in the families from

OF EXPENDITURE, ASSETS AND FARM BUSINESS OF CULTIVATING FAMILIES

per family]

Region/District	Family Expenditure (contd.)		Financial investment expenditure	Area sown per family (Acres)	Value of Assets		Value of gross produce	Current Farm Expenditure		Cash Receipts		
	Death, marriage and other ceremonies	Medical and educational expenses and litigation charges			Owned land	Other assets		In cash	In kind	By sale of crops and fodder	By wages	Other sources
	13	14	15	16	17	18	19	20	21	22	23	24
Assam-Bengal												
Lakhimpur	63	122	1	4·1	2,109	1,216	732	25	58	78	2	22
Cachar	77	64	–	5·2	2,586	1,453	776	72	141	145	75	2
Kamrup	84	135	4	8·7	6,094	1,446	1,421	193	299	392	41	50
Tripura	92	89	–	4·9	2,367	856	1,030	265	95	100	103	28
Jalpaiguri	36	42	–	4·8	1,242	819	968	51	336	283	31	28
Bihar-Bengal												
Malda	55	68	–	7·3	3,452	945	1,039	347	301	371	276	116
Burdwan	93	156	2	3·8	2,079	1,774	424	342	48	207	42	103
Midnapore	56	123	1	2·5	3,201	1,270	926	443	99	618	159	52
Bhagalpur	115	84	–	6·5	9,946	1,695	652	202	295	313	60	48
Monghyr	145	108	1	9·0	7,515	2,543	1,090	338	430	243	198	211
Hazaribagh	159	62	79	3·8	4,700	1,683	748	36	196	50	72	57
Palamau	56	51	–	5·3	1,374	993	328	93	100	60	177	47
Mirzapur	51	32	1	5·6	756	941	473	99	157	41	227	32
Eastern Uttar Pradesh												
Ballia	91	69	8	4·4	1,046	1,618	424	130	119	34	102	138
Deoria	85	61	1	4·2	1,086	1,160	695	192	195	280	103	109
Jaunpur	108	50	–	2·9	1,347	872	423	102	105	53	220	72
Sultanpur	67	26	–	3·5	314	1,071	496	88	111	44	192	58
Sitapur	86	18	–	3·5	9	1,177	531	82	128	168	99	40
Western Uttar Pradesh												
Kanpur	200	93	–	6·6	548	1,738	646	113	172	163	90	95
Hamirpur	145	52	–	16·2	1,096	3,243	906	249	199	169	138	22
Shahjahanpur	112	46	–	5·7	456	1,517	701	233	177	179	75	18
Agra	238	70	1	5·6	975	2,016	944	185	123	224	268	159
Aligarh	188	136	–	10·7	2,195	2,810	1,827	418	402	735	197	154
Nainital	158	89	10	5·0	1,090	4,191	656	213	156	178	104	408
Meerut	307	104	2	11·1	6,888	3,253	1,175	247	249	479	29	187
Punjab-PEPSU												
Sirmoor	95	30	1	6·9	1,408	2,824	600	123	273	223	106	145
Hoshiarpur	151	132	3	12·7	16,343	3,197	1,083	308	388	183	58	275
Jullundur	141	105	8	10·0	16,075	3,566	1,537	490	477	307	94	493
Hissar	147	16	1	22·1	5,401	3,484	713	290	203	206	1	155
Bhatinda	390	94	4	19·7	13,069	5,559	2,336	492	683	1,430	61	111
Mohindergarh	171	53	–	13·2	2,120	2,594	288	189	66	–	123	160
Rajasthan												
Churu	77	4	–	28·7	331	1,770	–	83	22	–	248	119
Barmer	128	20	–	27·8	1,373	1,255	251	106	101	8	122	117
Sirohi	33	8	–	11·2	45	1,601	198	150	119	–	157	107
Jaipur	130	26	–	8·7	2,659	2,306	550	285	101	2	46	148
Sawai Madhopur	133	12	–	8·7	1,063	1,681	258	274	95	110	52	36
Chittorgarh	95	9	–	6·4	1,447	1,474	389	201	182	111	–	1

selected villages; columns 16 to 24 refer to data collected in the intensive enquiry relating to a sample of 15 cultivating each selected village.

TABLE 2—DATA RELATING TO CREDIT TRANSACTIONS, SPECIFIED ITEMS OF

[Amount in rupees

Region/District	Size of cultivated holding per family (Acres)	Borrowings during the year	Repayments during the year	Outstanding debt	Capital expenditure in agriculture				Capital expenditure in non-farm business	Family expenditure		
					Total	Purchase of land	Purchase of livestock	Other capital expenditure in agriculture		Total	Construction and repairs of residential houses and other buildings	Purchase of durable consumer goods
	1	2	3	4	5	6	7	8	9	10	11	12
Central India												
Jhabua	16·3	122	35	200	**41**	–	15	25	4	**140**	2	76
Shivpuri	12·2	92	36	253	**134**	–	23	110	2	**381**	14	229
Shajapur	14·0	358	191	367	**138**	28	58	52	15	**415**	62	226
Bhilsa	18·6	387	166	531	**348**	8	168	172	40	**567**	89	229
Raisen	15·7	163	65	193	**268**	18	157	93	18	**311**	17	152
Satna	6·0	72	13	77	**121**	15	23	83	2	**131**	25	51
Rewa	13·4	116	28	167	**110**	21	24	66	9	**200**	47	60
Sagar	13·6	514	200	568	**253**	22	180	51	141	**446**	45	199
Orissa and East Madhya Pradesh												
Sambalpur	6·1	75	49	94	**238**	6	16	215	7	**248**	29	134
Puri	4·2	115	25	156	**134**	26	23	85	10	**180**	27	57
Koraput	3·5	47	35	65	**119**	1	15	102	12	**113**	39	53
Bilaspur	8·1	84	29	147	**105**	30	47	29	1	**286**	51	156
Durg	10·4	64	30	79	**55**	13	32	10	—	**151**	19	108
Chanda	12·7	174	67	281	**187**	59	69	59	5	**254**	35	118
Western Cotton region												
Nagpur	15·9	195	98	247	**289**	88	132	69	10	**263**	45	112
Akola	23·3	162	137	190	**343**	150	97	96	10	**393**	26	238
Sorath	17·0	238	82	264	**187**	5	40	143	3	**499**	107	273
Ahmedabad	26·3	370	218	799	**365**	38	123	204	14	**520**	96	252
Broach	13·3	306	221	556	**183**	33	95	55	2	**410**	36	228
West Khandesh	18·2	266	68	389	**191**	50	72	69	9	**349**	71	167
Parbhani	25·4	161	127	155	**192**	54	87	50	1	**372**	47	224
North Deccan												
Poona	11·2	193	75	432	**255**	58	68	130	10	**359**	23	232
Kolhapur	6·9	99	36	197	**72**	12	33	28	1	**301**	27	198
Bijapur	24·6	204	39	285	**184**	23	53	108	14	**301**	46	142
Osmanabad	22·5	207	79	305	**197**	18	77	103	53	**548**	104	274
Mahbubnagar	12·4	270	92	365	**201**	60	93	47	5	**244**	14	99
Kurnool	13·1	476	149	801	**370**	137	132	100	23	**411**	96	167
South Deccan												
Hassan	4·8	185	34	490	**233**	35	98	100	3	**520**	41	371
Bangalore	4·8	221	35	435	**189**	56	72	61	8	**349**	18	141
Coimbatore	9·2	495	105	1,204	**440**	105	32	303	42	**463**	57	249
Cuddapah	7·7	439	121	795	**196**	51	75	70	30	**443**	58	221
East Coast												
Nizamabad	5·2	175	66	295	**175**	62	66	47	6	**144**	15	72
West Godavari	8·9	578	262	871	**388**	163	84	140	112	**460**	98	168
Chingleput	3·4	312	66	548	**315**	73	102	141	14	**251**	17	102
Ramanathapuram	7·1	154	25	680	**109**	23	45	41	1	**99**	10	50
West Coast												
Ratnagiri	1·7	39	6	188	**33**	2	19	13	3	**131**	21	51
Malabar	8·5	406	120	625	**330**	50	35	245	17	**537**	154	124
Quilon	1·7	278	122	303	**163**	53	28	82	68	**410**	111	74

Note:—Columns 1 to 15 refer to data collected in the General Schedule relating to all the cultivating families in the families from

EXPENDITURE, ASSETS AND FARM BUSINESS OF CULTIVATING FAMILIES—Concluded

per family]

Region/District	Family Expenditure (contd.): Death, marriage and other ceremonies	Family Expenditure (contd.): Medical and educational expenses and litigation charges	Financial investment expenditure	Area sown per family (Acres)	Value of Assets: Owned land	Value of Assets: Other assets	Value of gross produce	Current farm expenditure: In cash	Current farm expenditure: In kind	Cash receipts: By sale of crops and fodder	Cash receipts: By wages	Cash receipts: Other sources
	13	14	15	16	17	18	19	20	21	22	23	24
Central India												
Jhabua	52	11	–	15·1	814	1,585	370	103	60	88	48	14
Shivpuri	132	6	–	7·9	610	3,457	408	179	174	18	1	3
Shajapur	94	33	–	13·2	1,401	2,673	827	387	214	460	102	71
Bhilsa	150	99	–	17·2	932	2,706	868	392	528	258	46	16
Raisen	97	45	–	14·2	1,176	1,719	538	396	380	382	109	13
Satna	41	14	–	6·5	849	997	403	44	174	67	57	23
Rewa	65	28	–	10·9	1,973	1,303	694	93	289	91	73	41
Sagar	150	51	5	12·4	1,282	2,055	533	233	360	152	235	79
Orissa and East Madhya Pradesh												
Sambalpur	61	25	–	4·4	1,572	1,368	376	158	178	15	92	22
Puri	59	37	1	4·7	2,096	780	267	117	109	53	123	19
Koraput	17	4	–	3·9	906	331	291	106	133	92	35	18
Bilaspur	47	31	–	7·9	2,150	847	491	39	157	130	222	23
Durg	17	7	5	10·4	1,665	880	399	61	144	108	121	56
Chanda	52	50	–	11·9	1,563	1,149	610	250	262	235	89	34
Western Cotton region												
Nagpur	48	57	1	14·8	6,285	1,579	873	495	167	561	135	69
Akola	50	79	–	25·1	7,616	2,789	2,252	1,241	270	1,290	176	62
Sorath	106	13	1	17·3	8,529	3,800	1,057	395	398	522	42	120
Ahmedabad	116	56	4	20·4	7,544	3,440	634	384	207	216	9	103
Broach	73	74	6	11·2	3,110	2,372	493	367	142	263	77	52
West Khandesh	56	55	3	18·0	12,786	3,130	982	515	161	462	110	22
Parbhani	76	25	9	26·3	5,422	2,753	1,562	439	411	684	80	13
North Deccan												
Poona	54	50	5	12·5	6,368	2,252	758	477	267	185	136	272
Kolhapur	42	33	3	3·2	2,779	1,877	437	228	127	117	81	56
Bijapur	56	57	1	24·8	4,385	1,862	872	387	250	351	118	31
Osmanabad	119	51	–	22·1	6,629	3,188	1,480	508	507	508	83	99
Mahbubnagar	90	42	–	13·0	1,562	1,827	891	337	380	125	86	76
Kurnool	75	74	2	13·4	5,774	2,814	1,127	589	444	410	97	22
South Deccan												
Hassan	88	21	–	4·2	3,571	1,542	360	144	146	299	148	69
Bangalore	153	37	–	4·9	1,625	1,089	284	165	133	75	66	53
Coimbatore	99	58	17	10·4	12,170	3,808	1,794	1,329	419	902	122	289
Cuddapah	95	69	2	7·6	4,088	2,155	723	454	327	292	42	90
East Coast												
Nizamabad	40	16	–	4·5	1,189	1,375	507	227	195	177	91	30
West Godavari	121	72	9	10·1	7,102	2,797	1,082	615	299	634	256	240
Chingleput	96	36	1	4·1	3,130	1,397	863	448	288	348	261	53
Ramanathapuram	21	18	–	7·0	2,454	1,017	466	192	134	114	108	55
West Coast												
Ratnagiri	25	34	–	1·7	533	1,135	221	71	95	11	54	85
Malabar	99	160	2	4·0	5,479	2,734	422	602	153	246	190	165
Quilon	89	134	54	1·7	4,870	1,175	584	321	147	312	118	274

... in the intensive enquiry relating to a sample of 15 cultivating
selected villages; columns 16 to 24 refer to data collected in the intensive enquiry relating to a sample of 15 cultivating
each selected village.

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